

# TRANSCRIPT OF RECORD

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**Supreme Court of the United States**

**OCTOBER TERM, 1955**

**No. 129**

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GEORGE W. DOUD, DONALD Q. McDONALD, AND  
J. WESLEY CARLSON, DOING BUSINESS AS  
BONDIFIED SYSTEMS, AND EUGENE DERRICK,  
APPELLANTS,

*vs.*

ORVILLE HODGE, AUDITOR OF PUBLIC ACCOUNTS  
OF THE STATE OF ILLINOIS, ET AL.

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APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS

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**FILED JUNE 6, 1955.**

**PROBABLE JURISDICTION NOTED OCTOBER 10, 1955.**



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JUDG & DEWEILER (INC.), PRINTERS, WASHINGTON, D. C., DEC. 12, 1955

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Argument by Mr. Yowell on behalf of plaintiffs

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IN UNITED STATES DISTRICT COURT, NORTHERN  
DISTRICT OF ILLINOIS

PLEAS

Pleas had at a regular term of the United States District Court for the Eastern Division of the Northern District of Illinois begun and held in the United States Court Rooms in the City of Chicago in the Division and District aforesaid on the first Monday of February (it being the 7th day thereof) in the Year of Our Lord One Thousand Nine Hundred Fifty-Five and of the Independence of the United States of America the 79th Year.

Present: Honorable John J. Barnes, District Judge; Honorable William H. Holly, District Judge; Honorable Philip L. Sullivan, District Judge; Honorable Michael L. Igoe, District Judge; Honorable William J. Campbell, District Judge; Honorable Walter J. La Buy, District Judge; Honorable J. Sam Perry, District Judge; Honorable Win G. Knoch, District Judge; Honorable Julius J. Hoffman, District Judge.

Roy H. Johnson, Clerk

William W. Kipp, Sr., Marshal

Wednesday, February 9, 1955.

Court met pursuant to adjournment.

Present: Honorable Elmer J. Schmackenberg, Circuit Judge; Honorable Walter J. La Buy, District Judge; Honorable Julius J. Hoffman, District Judge.

Leonard Bosgraf, Esquire, Harold Mackenzie, Esquire,  
Attorneys for Plaintiffs, 10 South La Salle Street, Chicago  
3, Illinois.

Honorable Latham Castle, Attorney General of the State  
of Illinois, Attorney for Certain Defendants, 160 North  
La Salle Street, Chicago 4, Illinois.

Honorable John Gutknecht, State's Attorney of Cook  
County, Illinois, Criminal Court Building, Chicago 3, S.  
Illinois.

Re: George W. Dond, et al., v. Orville Hodge, Auditor  
of Public Accounts of the State of Illinois, et al., 53 C 2322

MEMORANDUM AND ORDER—January 15, 1954

John F. Bogie, et al, who are the owners and operators  
of 77 community currency exchanges in the County of Cook  
and State of Illinois, have filed a motion for leave to in-  
tervene as intervenor defendants in this cause on behalf  
of themselves and 358 other licensees under the statute  
operating currency exchanges. The movants seek such  
leave under Rule 24(a)(2) or Rule 24(b)(2) of the Federal  
Rules of Civil Procedure.

The provisions of the Rules relied upon are:

[fol. 5] \* 24 (a) *Intervention of Right*. Upon timely ap-  
plication anyone shall be permitted to intervene in an  
action: \* \* \* (2) when the representation of the ap-  
plicant's interest by existing parties is or may be in-  
adequate and the applicant is or ~~may be~~ bound by a  
judgment in the action: \* \* \*

\* 24(b) *Permissive Intervention*. Upon timely ap-  
plication anyone may be permitted to intervene in an  
action: \* \* \* (2) when an applicant's claim or defense  
and the main action have a question of law or fact in  
common. \* \* \* In exercising its discretion the court  
shall consider whether the intervention will unduly  
delay or prejudice the adjudication of the rights of the  
original parties.

In their written motion the movants allege a substantial  
interest in this action because if the statute be declared  
unconstitutional they will be deprived of the benefits



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conferred upon them by the statute and will be subjected to unregulated competition and a resultant substantial diminution of earnings. The motion refers to property interests in existent exchanges. The movants also aver that their interests will be inadequately represented because of differences of opinion arising between the defendants and the movants, as occurred in *Thillens, Inc. v. Cooper*, 345 Ill. App. 145.

The movants further allege that they will be bound by a judgment in this action; that their defenses involve questions of law and fact in common with the main action, and that their intervention will not unduly delay or prejudice the adjudication of the rights of the original parties. In the alternative, movants request that their counsel be permitted to appear as *amici curiae* in the event their motion for intervention be denied. Despite the movants' allegations, the Court cannot assume that they will not be "adequately represented" by the legal representatives of the State of Illinois merely because of differences of opinion between respective counsel. Instances of "inadequacy" of representation are given by Moore, in *Federal Practice*, Sec. 24.08, as:

"... proof of collusion between the representative and an opposing party, (or) if the representative has or represents some interest adverse to that of the petitioner, or fails because of nonfeasance in his duty of representation."

Nor do movants bring themselves within Rule 24(b)(2), which requires that applicant's claim or defense and the main action have a question of law or fact in common. In this case the movants have neither a claim nor a defense in the ordinary litigable sense of that term, although it might be conceded that they have a real interest in the litigation and will conceivably be affected thereby. As was [6], 6] said in the case of *Jewell Ridge Coal Corporation v. Local No. 6167*, 3 F.R.D. 251, at page 254:

"... it would seem that an applicant charged with no public duty still must have a 'claim or defense' with a question of law or fact in common with the

main action. It does not seem to me that applicant here has either a 'claim' or 'defense' such as referred to in the Rule. Admittedly, applicant has no claim which it could assert in a legal action against any defendant here nor could any defendant here assert any claim against it in a legal action which would require any defense on the part of applicant. Quite true, the applicant and its component members are intensely 'interested' in the determination of the issues presented by this action, in the general sense of the word, just as all other persons in the bituminous coal industry are interested, but such a general interest is certainly not enough for intervention of right \* \* \* nor do I believe it to be sufficient for permissive intervention."

The movants have no "claim" as they could not institute a suit to uphold the constitutionality of the statute here attacked, under the Declaratory Judgment Act, inasmuch as the Supreme Court has held that only those to whom a statute applies and who are adversely affected by it can draw in question its constitutionality in a declaratory judgment or other proceeding. *Alabama State Federation of Labor v. McAdory*, 325 U.S. 450. And no one could assail the movants because they have been licensed and are carrying on business under the statute here involved.

Authority is meagre on the right of intervention in causes raising constitutional questions, as is shown by the annotation in 169 A.L.R. at 851 on "Right to Intervene in Suit to Determine Validity or Construction of Law or Governmental Regulations." The cases discussed under this annotation involve, with one exception, state court decisions and are therefore not too helpful in a construction of the right to intervention under Rule 24. The article states that:

"In a few cases the right to intervene in a suit involving the validity or construction of a law or other government order has been recognized, under the circumstances present or considered."

But the article then goes on to cite law to the contrary.

The cases cited by the movants in their brief, while helpful in determining the liberal construction to be given

to the Rules, do not come sufficiently close on factual bases [p. 594] to justify the granting of intervention under Rule 24. In the decision by Judge Duffy in *Brotherhood of Locomotive Engineers, et al. v. Chicago, Milwaukee, St. Paul & Pacific Railroad Company, et al.*, 34 F. Supp. 594, a brotherhood was permitted to intervene in a declaratory judgment suit brought by another brotherhood on a contract similar to the one which the petitioner had. Thus the intervening brotherhood had a "claim" similar to that of the plaintiff on which it too could have instituted declaratory judgment proceedings.

It has of course often been held that the Rules are to be liberally construed. Yet they cannot be so liberally interpreted as to ignore their basic requirements. Rule 24(b) (c) makes permissive intervention discretionary with the Court where the "applicant's claim or defense and the main action have a question of law or fact in common." To permit intervention in this case would mean to disregard the legal requirements of the Rule.

The motion of John F. Bogie, et al, for leave to intervene as intervenor defendants in this cause will be denied. For the assistance of the Court, however, in arriving at a conclusion in this matter, Hirsch E. Soble, the attorney for the movants, is hereby appointed *amicus curiae* with permission to participate in all hearings, to present oral arguments, and to file briefs.

Julius J. Hoffman, Judge.

cc: Honorable Philip J. Finnegan, Honorable Walter J. La Buy.

[fol. 10] IN THE UNITED STATES DISTRICT COURT, NORTHERN  
DISTRICT OF ILLINOIS, EASTERN DIVISION

Civil Action No. 53 C 2322

GEORGE W. DOUD, DONALD Q. McDONALD, and J. WESLEY  
Carlson, doing business as Bondified Systems, and  
Eugene Derrick, Plaintiffs, /

VS.

ORVILLE HODGE, Auditor of Public Accounts of the State of  
Illinois, Latham Castle, Attorney General of the State  
of Illinois, and John Gutknecht, State's Attorney of Cook  
County, Illinois, Defendants

AMENDED COMPLAINT—Filed May 5, 1954

Pursuant to leave of Court the plaintiffs file this, their  
amended complaint, and allege as follows:

First Count

I.

This action arises under the Fourteenth Amendment to  
the Constitution of the United States, Section I, as here-  
inafter more fully appears. The amount in controversy  
exceeds the sum of \$3,000.00 exclusive of interest and costs.

II.

The plaintiffs, George W. Doud, Donald Q. McDonald  
and J. Wesley Carlson, constitute a partnership doing  
[fol. 11] business under the firm name of "Bondified  
Systems". Said plaintiffs reside in the City of Wheaton,  
County of DuPage, State of Illinois, and their office and  
principal place of business is at Room 703, No. 208 South  
LaSalle Street, in the City of Chicago, County of Cook,  
State of Illinois. The plaintiff Eugene Derrick, also re-  
sides in the City of Wheaton, County of DuPage, State of  
Illinois. The defendant Orville Hodge is the duly qualified  
and acting Auditor of Public Accounts of the State of  
Illinois. The defendant Latham Castle is the duly qualified  
and acting Attorney General of the State of Illinois, and the

defendant John Gutknecht is the duly qualified and acting State's Attorney of Cook County, residing in said County in the Northern District of Illinois.

### III.

The partnership of said plaintiffs, George W. Donald, Donald Q. McDonald and J. Wesley Carlson, is organized for the purpose of, intends to engage, and has been engaging not in the ordinary business of a currency exchange, but exclusively in the business of selling and issuing money orders under the firm name "Bondified Systems" in the Counties of DuPage, Cook and other portions of the State of Illinois. The said business is conducted substantially in the following manner:

On August 6, 1933 Checks, Incorporated, a Minnesota corporation which owns the exclusive right to the printing and sale of "Bondified" postpaid checks and "Bondified" money orders, copyrighted media for the transfer of money, by an instrument in writing duly executed on said date, granted to Bondified Systems, Inc., a corporation, an exclusive license to distribute said checks and money orders to the public directly and through duly licensed, morally and financially responsible agencies [fol. 12] appointed by the licensee in the territory including the City of Chicago and the normal Greater Metropolitan trading area of Chicago, to-wit: the territory bounded by U. S. Highway 30 as the south boundary thereof from the Indiana State line through and including Chicago Heights, Joliet, Aurora; then north along Illinois State Highway 31 as the west boundary of said territory, through and including Aurora, Batavia, Geneva, St. Charles, Elgin, Dundee, Algonquin, McHenry and Richmond; then east along the Wisconsin State line as the north boundary of said territory; then south along the shore of Lake Michigan to the Indiana State line and south along the Indiana State line to U. S. Highway 30 as the east boundary of said territory. In said agreement said licensee bound itself to have a capital of not less than \$40,000, and to establish an ear-marked bank account in a bank which is a member of the Federal Deposit Insurance Corporation and the



Federal Reserve System, and to maintain a free balance therein of not less than \$10,000; and to furnish and pay for an indemnity bond in the penal sum of \$10,000, running in favor of the depository bank, conditioned that the licensee will at all times have on deposit in the depository bank sufficient funds so that the depository bank will promptly pay any such Bondified postpaid checks or Bondified money orders in the amount issued by the licensee or its licensed agents, and duly and timely presented in the due course of business in the amount for which originally issued, but no such single check or money order to be in excess of \$100.00; said agreement further provided for a schedule of prices for said money orders and schedule of rates to be charged to the public; provided the conditions upon which the licensee is to appoint agents, including the requiring that each agent furnish a surety bond conditioned [fol. 13] upon the honest handling and accounting for all funds coming into the hands of such agent as such, the securing from each agent of an agreement in writing; and said agreement requires the licensee to carry on a promotional and advertising campaign and to spend not less than 5% of gross fees for that purpose, all advertising copy for radio, television, newspaper, magazines or other type of advertising or promotion to be approved by the licensor; Said contract further provided that it shall remain in force and effect for a period of five years, and further provided that licensee [designated therein as the 'Operator'] should have the right to assign its rights under said contract "to a partnership to be organized under the laws of the State of Illinois, of which the partners shall be J. Wesley Carlson, Donald O. McDonald and George W. Doud, and which shall do business under the name and style of Bondified Systems; provided, however, that if said rights shall be so assigned to said partnership and said partnership shall commence operations thereunder, then any and all provisions of this contract, including capitalization, ear-marked bank account, prices, rates, agent agreements and all other provisions of this contract shall be binding with full force and effect upon said assignee the same as though said assignees were a party hereto; and it is further understood and agreed that the operator shall have no other right of



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assignment of this contract other than as provided in this paragraph.

Thereafter, said Bondified Systems, Inc. duly assigned said contract to the plaintiffs, George W. Dond, Donald Q. McDonald and J. Wesley Carlson, by an instrument in writing duly executed, in which said plaintiffs expressly agreed to the provisions of said license agreement designated an "Operator Contract" respecting bank deposits, [fol. 14] bonds, etc., and all other undertakings of the licensee, all as required by said license agreement. Thereafter, on the 5th day of October, 1953, said plaintiffs entered into a lease contract in writing with 208 South LaSalle Street Corporation whereby said plaintiffs leased for a period of two years commencing the first day of November, 1953, all of room 703, and the north part of room 705 in the building at 208 South LaSalle Street, Chicago, Illinois, for a rental of \$5400.00, payable in twenty-four monthly instalments of \$225.00. On the 6th day of October, 1953, the said plaintiffs paid 208 South LaSalle Street Corporation the sum of \$225.00, and said plaintiffs each month since said date paid a like amount to said 208 South LaSalle Street Corporation. The plaintiffs George W. Dond, Donald Q. McDonald and J. Wesley Carlson have continuously since the month of October, 1953, to the date of the filing of this amended complaint, occupied, and are now occupying said premises.

On August 11, 1953, the plaintiffs Dond, McDonald and Carlson, by an instrument in writing executed by them and by the plaintiff Eugene Derrick, appointed the said Eugene Derrick as their agent under the aforesaid operator contract, for the sale to the public of Bondified postcard checks, a duly copyrighted medium for the transfer of money by the use of a postcard, and Bondified money orders, a duly copyrighted and federally registered medium for the transfer of money, said contract binding said agent to sell said checks and orders at specified fees; to collect in cash for the principal amount and the fee for each postcard check or money order sold, to mail to plaintiff Dond, McDonald and Carlson, with checks payable at par, the proceeds of such sales after deducting 40% of the fee, the fee being 10 cents up to \$5.00, 15 cents up to \$10.00, 25

[fol. 15] cents up to \$50.00, and 35 cents up to \$100.00. Said agreement further binds said agent unequivocally to indemnify plaintiffs Doud, McDonald and Carlson against all loss of funds collected, to keep proper records, etc., to qualify for and furnish to plaintiffs Doud, McDonald and Carlson, and pay for an approved bond in the principal sum of at least \$1000.00, conditioned upon the faithful and full compliance by said agent with each and all of the conditions of said agreement.

The said agent, the plaintiff Eugene Derrick, obtained and furnished to the plaintiffs Doud, McDonald and Carlson the bond of Anchor Casualty Company for \$1000.00; No. 52-102-53, effective October 19, 1953, as required by said license agreement and said agency agreement.

After obtaining said license from said Checks, Incorporated, plaintiffs Doud, McDonald and Carlson deposited a total of \$40,000.00 in addition to the proceeds of sales less fees, in the City National Bank & Trust Company of Chicago, \$10,000 of which was ear-marked as required by said operator contract; on the 6th day of October, 1953 the plaintiffs Doud, McDonald and Carlson and City National Bank and Trust Company of Chicago executed and entered into a deposit agreement in writing wherein and whereby said plaintiffs bound themselves to deposit with said bank forthwith the sum of \$10,000.00 in a special ear-marked account, against which said Bondified postcard checks and Bondified money order, should be drawn and paid by the bank and said plaintiffs agreed to maintain said account at all times at a balance of not less than \$10,000.00; plaintiffs agreed to furnish said bank a surety bond in the penal sum of [fol. 16] \$10,000.00, guaranteeing payment of all such checks and money orders up to the penal amount of said bond, and said plaintiffs further agreed to maintain an operating account with said bank, and said bank undertook numerous obligations respecting the honoring of said items and the handling, tabulation and clearing thereof, and the handling charges therefor, and said contract provided that it should remain in full force and effect for one year from the date thereof and should be renewed from year to year thereafter upon the condition that either party may terminate the same at the end of any year upon written notice

of intention to terminate delivered to "the other party not less than ninety days prior to the expiration of such year.

Plaintiffs duly deposited said sum of \$10,000.00 in said special ear-marked account and duly furnished said bank an indemnity bond in the penal sum of \$10,000.00; and said plaintiffs caused to be prepared and printed Bondified money orders drawn on said City National Bank & Trust Co. of Chicago, bearing the name of Bondified Systems, Chicago, Illinois, and after the issuance of said agency license agreement to the plaintiff Derrick the plaintiffs Doud, McDonald and Carlson caused to be prepared and printed Bondified money orders bearing the name "Derrick Drugs" printed thereon, and delivered a supply of said money orders to the plaintiff Derrick, and thereafter the plaintiff Derrick sold to the public and issued Bondified money orders on various dates, including October 19, 1953, October 26, 1953, October 30, 1953, November 10, 1953, and November 16, 1953, remitted the proceeds to the plaintiffs Doud, McDonald and Carlson, deducting his percentage of the agreed fee, and said proceeds less the service fees were received by the plaintiffs Doud, McDonald and Carlson, and by them immediately deposited in said depository bank, and said money orders were duly paid by said depository bank, through the Chicago Clearing House, on October 27, 1953, November 5, 1953, November 6, 1953, November 16, 1953, and November 23, 1953, respectively. On November 5, 1953 and December 1, 1953, the plaintiff Derrick made reports to plaintiffs Doud, McDonald and Carlson of the foregoing money orders and other money orders issued and sold by said plaintiff Derrick on forms supplied by the plaintiffs Doud, McDonald and Carlson. Since the 1st day of November, 1953 said City National Bank & Trust Company of Chicago has issued and furnished to plaintiffs Doud, McDonald and Carlson monthly statements showing a debit for each Bondified postcard or money order paid, including those hereinabove mentioned.

The said office so established in the City of Chicago by plaintiffs Doud, McDonald and Carlson has been, and will be used for the sole purpose of providing for the supervisory, accounting and clerical services necessary in the conduct of the business. Said plaintiffs have maintained a

record of each sale made by the plaintiff Derrick and will maintain a record of each sale made by every agent showing the date such sale was reported, the amount reported, the date paid, and the amount paid. The sale and issuance of money orders has been and will be conducted wholly by means of agents with whom agency contracts have been and will be negotiated. The agents consist primarily of persons, firms and corporations operating retail establishments, principally drug, hardware and grocery stores. Fees for the issuance of money orders are fixed by said plaintiffs, Doud, McDonald and Carlson, 40% of which is retained by the agents as their compensation for the sale and issuance of money orders, none of which will be issued for an amount in excess of \$100.00; and an appropriate [fol. 18] statement to that effect appears in prominent print on the face of each money order issued. The money orders are of two types, one known as a postcard check, bearing in prominent type on its face the legend "Cancellation of postage necessary before payment", so that it will not be honored except in the hands of the original purchasers unless the post-stamp on the card has been duly cancelled by the United States Post Office. Both types of money orders are in the form of checks drawn upon City National Bank & Trust Company of Chicago, payable to the payee named therein. The fees established by the plaintiffs Doud, McDonald and Carlson for the sale and issuance of said money orders are the same as the rates charged by the Post Office Department of the United States Government and, in general, are comparable to the rates charged by various banks, currency exchanges and other agencies engaged in the business of selling and issuing money orders, and the same as the rates charged by American Express Company. Said plaintiffs have provided for an accounting at least once a week by their agents and they require, and will require, each agent appointed to furnish a surety bond conditioned upon payment by the agent to said firm of all amounts received from customers purchasing money orders, and the portion of the fees for such sale and issuance to which said firm is entitled according to contract. Said firm maintains and will maintain an account in an amount not less than \$10,000.00 with said depository and deposit

the face amount of all money orders issued in said account against which said money orders will be drawn, and in addition have furnished a surety bond to the said bank in an amount not less than \$100,000 conditioned upon payment of all money orders issued by said firm. Said firm will conduct its business in such manner that at all times there will be on deposit in the said bank in Chicago an amount sufficient to pay all outstanding money orders issued by said firm.

[Vol. 19]

#### IV

There is at the present time in the City of Chicago an economic need for the services which said plaintiffs are contemplating furnishing. Such economic need exists with respect to the residents of the State of Illinois who do not have a checking account with a bank and who do not desire to pay monthly bills for household expenses by cash. Such monthly bills to individual creditors, on the average, amount to less than \$40.00, and except in rare cases do not exceed \$100.00, which is the maximum amount of any individual money order which will be issued by said firm. The said need for said money orders is particularly acute in outlying sections of large cities, such as Chicago, outside of the main business district, which require relatively long journeys to offices of creditors with the consequent loss of time unless money order facilities are readily available in outlets such as drug, hardware and grocery stores.

#### V

(a) An Act in relation to the definition, regulation and licensing of community currency exchanges and ambulatory currency exchanges and the operations of employees thereof and to make an appropriation therefor, and to provide penalties and remedies for the violation thereof, was enacted in 1943 in substantially its present form, and as amended in 1951 is now in full force and effect in the State of Illinois as Sections 30 to 56.3 of Chapter 16 $\frac{1}{2}$  of the Illinois Revised Statutes 1953. The statute purports to regulate the business of a community currency exchange which is defined to be a person, firm or corporation engaged in the business of providing facilities for cashing checks,



drafts and money orders for a fee or service charge or other consideration, or engaged in the business of selling or issuing money orders under his, their or its name, or any [fol. 20] other money orders, or engaged in both such businesses subject to certain exemptions.

(b) The aforesaid statute contains two classes of exemptions; banks incorporated under the laws of the State of Illinois and national banks organized pursuant to the laws of the United States are specifically exempted from the definition of a community currency exchange. The statute likewise specifically exempts from the definition of a community currency exchange all persons, firms and corporations engaged in the business of selling or issuing United States Post Office money orders, American Express Company money orders, Postal Telegraph Company money orders or Western Union Telegraph Company money orders.

(c) Said statute contains the following provisions regulating the business of a community currency exchange: No person, firm or corporation which is not exempted from the definition of a community currency exchange shall engage in the business of selling or issuing money orders without first securing a license to do so from the Auditor of Public Accounts of the State of Illinois. Application for a license must be made in the form prescribed and must be accompanied by a fee of \$25.00 for the cost of investigating the applicant. In the event the application is denied the \$25.00 fee is retained by the Auditor of Public Accounts to cover his cost of investigation. In the event the application is approved a license fee of \$50.00 for a period terminating on the last day of the current calendar year shall be paid and a like fee must be paid annually thereafter. Before any license shall be issued a surety bond in the amount of \$3000.00 approved by the Auditor shall be filed with him for the benefit of any creditors of the community currency exchange for any liability incurred on money orders issued or sold by the currency exchange. If after the [fol. 21] expiration of one year from the issuance of the license the Auditor shall determine that the average amount of such liability during said year has exceeded the sum of \$4000.00, and has been less than \$5000.00, the Auditor shall



require the licensee to furnish a bond for the ensuing year, approved by the Auditor, in the principal sum of \$4000.00. If the average amount is in excess of \$5000.00, the bond shall be for an additional \$1000.00 or fraction thereof in excess of the original \$5,000.00; the maximum amount of such bond not to exceed the principal sum of \$25,000.00. Whenever the Auditor shall determine that the bond is insecure, or exhausted, or otherwise doubtful, an additional bond in like amount may be required. After an application for a license has been approved by the Auditor, the applicant is required to file with and have approved by the Auditor a policy or policies of insurance insuring the applicant against loss by burglary, larceny, robbery, forgery or embezzlement in such sum as shall be determined from time to time by the Auditor.

(d) Said statute further provides that a community currency exchange shall not be conducted as a department of another business; that it must be an entity financed and conducted as a separate business unit and that no community currency exchange licensed for the first time shall share any room with any other business, trade or profession, nor shall it occupy any room from which there is direct access to a room occupied by any other business, trade or profession.

(e) Said statute further provides that each licensee shall annually file with the Auditor in the form prescribed by him a report made under oath concerning the business and operations during the preceding fiscal year period and that the Auditor may at any time, and shall at least once in each year, investigate the business of each licensee and [Vol. 22] of every person, partnership, association or corporation engaged in the business of selling or issuing money orders, and that licensee must pay to the Auditor for each such investigation a fee of \$20.00 for each day or part thereof for each representative designated by the Auditor and required to conduct such examination.

## VI

The classification made by said Illinois community currency exchanges statute is unconstitutional and void and violates the provisions of Section 1 of the Fourteenth

16  
Amendment to the Constitution of the United States in the following respects:

(1) The American Express Company operates its money order business in substantially the same manner in which said plaintiffs operate and there is no substantial basis for exempting from the operation of the Community Currency Exchange law persons, firms and corporation which sell American Express money orders and not persons, firms and corporations selling and issuing said plaintiffs' money orders.

(2) The exemption of American Express money orders is wholly unwarranted, is not germane to the purpose of the statute, and is highly discriminatory. The American Express Company is an aggregation of individuals operating under a joint stock company plan. It is not a corporation, but an association of individuals. The majority of said individuals are engaged in business in New York and reside either in the State of New York or in States adjacent thereto, and said association is not amenable to service of process in the State of Illinois. The American Express Company sells and issues money orders in the City of Chicago, Illinois, through operators of drug and grocery stores, [fol. 23] such operators retaining a portion of the fee fixed by the American Express Company for the issuance of its money orders. Said plaintiffs are informed and believe, and so allege that the American Express Company sells and issues money orders through more than one thousand agents at more than one thousand locations in the State of Illinois. No protection for the purchaser of money orders is offered by American Express Company in Illinois by reason of the said individuals operating said company and it is impossible for a citizen of the State of Illinois to maintain a suit in the Federal courts in Illinois on account of the issuance of money orders by the American Express Company, and it is doubtful whether any action might be maintained against the American Express Company in the Illinois courts. No statutes of the State of Illinois provide for any regulation by any Illinois board, commission or regulatory body of the operations of the American Express Company in Illinois. No part of the operations of the said American Express Company in Illinois consist in furnishing

public utility or common carrier or express service, and no part of the business of said American Express Company in Illinois consist in the transportation of articles either as an express transportation carrier or any other type of carrier. The American Express Company does not operate under any franchise granted by the State of Illinois. Said American Express Company is not subject to regulation by any regulatory body in the State of Illinois. On September 18, 1945, American Express Company, Inc. of Illinois was incorporated under the laws of the State of Illinois, the only purpose of which was and is "to forward parcels, packages, merchandise and goods of all descriptions between cities, towns and other places in various parts of the world." Said corporation was and is authorized to issue 20 shares of stock of the par value of \$50.00 each, or a total of \$1000.00. [fol. 24] Said corporation is not authorized to, and does not issue any money orders; the money order business of American Express Company referred to herein is not the business of said corporation and the American Express Company money orders referred to herein are not issued by said American Express Company, Inc. of Illinois, but by American Express Company which is an aggregation of individuals as above set forth. The classification thus made by the State of Illinois community currency exchange statute in exempting from the operation of the law licensing and regulating the sale and issuance of money orders, the sale and issuance of American Express Company money orders has no relation to the public health, welfare, safety or morals, is arbitrary and capricious and discriminates unlawfully against the said plaintiffs. It is discriminatory to require said plaintiffs and their agents to pay substantial annual fees for licenses, to submit to and pay for periodic investigations and to forbid their agents selling or issuing money orders in conjunction with the maintenance of any other business when at the same time American Express Company, in an operation not different from those contemplated by said plaintiffs, is exempt from all such annual fees and from the necessity of complying with the other regulations embodied in the statute, and its agents are permitted to engage in such other vocations as they see fit.

(3) American Express Company agencies in issuing money orders are in direct competition with the operations by said plaintiffs, and the arbitrary, capricious and discriminatory character of the aforesaid statute is demonstrated by the fact that said plaintiffs, residents and citizens of the State of Illinois and engaged in business in said state, who are men of high moral character and integrity, are forbidden to operate in the same manner as said American Express Company.

[fol. 25] (4) The arbitrary, discriminatory character of Section 530 to 563, both inclusive, of Chapter 16<sup>1</sup>/<sub>2</sub> of the Illinois Revised Statutes as applied to plaintiffs and other persons, firms and corporations engaged exclusively in the business of selling and issuing money orders is further illustrated by the exemption from said statute of sale of American Express Company money orders by persons, firms, and corporations whose principal business consists in the operation of retail drug, hardware and grocery stores. With respect to the sale and issuance of any money orders other than those of the United States Post Office, Postal Telegraph Company, Western Union and American Express Company such sale or issuance must constitute the sole business of the seller and issuer and such money orders cannot be sold by a person, firm or corporation as an adjunct to his principal business by virtue of the express prohibition of the aforesaid statute.

## VII

The defendant Orville Hodge, Auditor of Public Accounts of the State of Illinois, the defendant Latham Castle, Attorney General of the State of Illinois, and the defendant John Gutknecht, State's Attorney of Cook County, Illinois, have threatened that any attempt by plaintiffs to operate the business of selling and issuing money orders under their firm name, either through offices wholly owned and operated by them, or by means of operators of drug, hardware and grocery stores as agents of the plaintiffs, or by both such means, will bring down upon plaintiffs action by said defendants in the courts of the State of Illinois to prevent such continuance of such business and for the enforcement of the provisions of said Illinois community currency exchange Act by criminal prosecution.

## VIII

Said plaintiffs will sustain permanent and irreparable injury and damage by reason of the application to said [fol. 26] plaintiffs and enforcement of said statute against them by the defendants Orville Hodge, Latham Castle and John Gutknecht by reason of the following facts:

To comply with the provisions of said statute in order to sell said plaintiffs' money orders, plaintiffs' agents will be required to qualify as currency exchanges. It will be necessary for said plaintiffs to pay to the Auditor of Public Accounts the sum of \$25.00 per agent for an investigation of the fitness of each of plaintiffs' said agents to operate as a community currency exchange and to investigate the need of the community for the establishment of a community currency exchange at the location specified in the application and in the event plaintiffs desire to operate more than one place of business it will be necessary to pay to the Auditor of Public Accounts an additional sum of \$25.00 for each place of business which the plaintiffs desire to operate. In the event the Auditor of Public Accounts, after such investigation, refuses to grant a license to plaintiffs, said payments will be retained by the Auditor of Public Accounts as compensation for his investigation. Said plaintiffs desire immediately to establish 500 or more locations at which their money orders may be sold and issued and in order that said business of the said plaintiffs might be conducted at a profit it would be necessary, within a comparatively short time after commencement of business operations, to establish offices for the sale and issuance of said money orders exceeding 500 in number. To establish 500 locations at which their money orders may be sold and issued plaintiffs would be required to pay the sum of \$12,500.00 to the Auditor of Public Accounts, all of which sum might be retained by the Auditor of Public Accounts to cover his cost of investigation if said applications were not approved. In the event the applications were approved by the Auditor of Public Accounts plaintiffs would be required to pay the additional sum of \$25,000.00 for initial licenses and the sum of \$25,000.00 per year thereafter for the annual license fees. If the business of the said plaintiffs was subjected to the minimum annual investigations



required by said statute so that each of said locations was investigated by only one representative of the Auditor during only a part of a day said plaintiffs would be required to pay fees of not less than \$10,000.00 per year, so that said plaintiffs would be required by said statute and by said defendants to pay initially \$50,000.00 and thereafter \$35,000.00 annually to operate a business while their competitor, American Express Company, conducting a business in the same manner and identical in character is expressly exempt from all payments, fees and inspections. The profits to be derived by the said plaintiffs from the operation of said business will not permit of the payment of said initial examination fee of \$25.00 for each place of business, \$50.00 license fee for the first year's operation of each place of business and thereafter \$50.00 a year for each place of business and a minimum annual investigation fee of \$20.00 for each place of business. The effect of said statute, therefore, is an unlawful and arbitrary discrimination against the said plaintiffs, preventing them from conducting the lawful business of issuing money orders in the State of Illinois in violation of Section 4 of the Fourteenth Amendment to the Constitution of the United States. The effect of said statute is moreover to give said American Express Company a virtual monopoly.

## IX

Said plaintiffs have no adequate remedy except by way of an injunction to restrain the defendants Orville Hodge, Auditor of Public Accounts of the State of Illinois, Latham Castle, Attorney General of the State of Illinois, and John [Hol. 28] Gutknecht, State's Attorney of Cook County, Illinois, from enforcing against said plaintiffs the provisions of the Illinois Community Currency Exchange Act.

## X

Said plaintiffs, pursuant to the provisions of Sections 2281 and 2284 of Title 28, United States Code, pray:

(1) That a preliminary injunction be issued by the three judge court heretofore convened pursuant to the provisions of Section 2284 of Title 28, United States Code, restraining and enjoining the said defendants Orville



Hodge, Latham Castle and John Galknecht from enforcing the provisions of the Illinois Community Currency Exchange Act against said plaintiffs pending trial of said action upon the merits.

(2) That the court decree that said Illinois Community Currency Exchange Act is unconstitutional and void in its application to said plaintiffs in that it denies said plaintiffs the equal protection of the law in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States.

(3) That a permanent injunction be issued by said court after trial of this action upon the merits before said court perpetually enjoining and restraining said defendants Orville Hodge, Latham Castle and John Galknecht from enforcing against said plaintiffs the provisions of said statute.

(4) For the said plaintiffs' costs and disbursements.

(5) For such other and further relief as is just.

[fol. 39]

## Count Two

### I

This action arises under the Fourteenth Amendment to the Constitution of the United States, Section 1, as herein after more fully appears. The matter in controversy exceeds, exclusive of interest and costs, the sum of \$300.00.

### II

The plaintiff Eugene Derrick is a registered pharmacist, duly licensed by the State of Illinois, and for many years has practiced his profession as a registered pharmacist and has owned and operated a drug store at 1022 College Avenue in the City of Wheaton, County of DuPage, State of Illinois.

### III

Said plaintiff realleges, with the same force and effect as if set forth at length herein, the allegations contained in paragraphs II, III, IV, V, VI, VII, VIII, and IX of the First Count.

## IV

The plaintiff Eugene Derrick has become an agent of the plaintiffs George W. Doud, Donald Q. McDonald and J. Wesley Carlson, doing business as Bondified Systems, for the sale and issuance of money orders of Bondified Systems, and has conducted and desires to conduct the business of selling money orders in connection with his business operated in said drug store at 1022 College Avenue, City of Wheaton, County of DuPage, State of Illinois.

## V

Immediately upon obtaining his agency license agreement from the plaintiffs Doud, McDonald and Carlson, [fol. 30] doing business as Bondified Systems as above set forth, the plaintiff Eugene Derrick sent to the defendant Orville E. Hodge, State Auditor, at 188 W. Randolph Street, Chicago, Illinois, a letter dated August 11, 1953, by registered mail, duly receipted for on August 14, 1953, by said Orville E. Hodge, or his agent, said receipt having been duly returned and bearing post mark dated August 14, 1953, said letter being as follows:

"This letter is to advise you that I have received an agency for the sale of Bondified postcard checks and Bondified money orders at my drug store, this agency being given me by Bondified Systems, a partnership, who have advised me that they have the right to grant me this agency under a license from Bondified Systems, Inc.

I have been told that the Community Currency Exchange Act of the Illinois laws does not authorize my sale of these articles, but it is my belief and contention that this law violates my constitutional right to operate a perfectly legal business of selling these articles if I choose to do so, and I am taking this means of advising you of my intention to commence the sale of these articles as soon as I receive my supplies.

Yours truly,

Eugene Derrick.

## VI

The plaintiff Eugene Derrick will sustain permanent and irreparable damage by reason of the attempt of the defendants Orville Hodge, Latham Castle and John Gutknecht to require compliance with the provisions of the aforesaid Illinois Community Currency Exchanges Act, to wit: Sections 30 to 36.3, both inclusive, of Chapter 16 1/2 Illinois Revised Statutes, 1953 by reason of the following facts: In order that the plaintiff Eugene Derrick may legally sell the money orders of the plaintiffs Doud, McDonald [fol. 31] and Carlson, doing business under the firm name Bondified Systems, under said statute it would be necessary for him to change the method of operation of his business in one of two ways:

(a) It would be necessary for the plaintiff Eugene Derrick to rearrange and remodel his drug store to provide adequate space in which the separate business of selling money orders may be conducted; or

(b) It would be necessary for the plaintiff Eugene Derrick to obtain additional quarters outside of his drug store for the conduct of the business of selling money orders, in which event the plaintiff Eugene Derrick will be deprived of the advantage of soliciting customers in the drug store to purchase money orders, and his customers would thereby be deprived of the opportunity to purchase money orders in the said drug store, which said opportunity will increase the business of the plaintiff Eugene Derrick in said drug store.

The cost involved to the plaintiff Eugene Derrick for carrying out either of said plans to rearrange and remodel said drug store or to obtain additional quarters, together with the extra employees needed to conduct said business separately and the extra accounting services necessary to establish said money order business on a separate business entity basis would greatly exceed the sum of \$300.00. None of said extra expense would be necessary if the plaintiff Eugene Derrick sold money orders exempted by Section 31 of Chapter 16 1/2 Illinois Revised Statutes, that

is, Western Union Telegraph, Postal Telegraph and American Express money orders. The effect of said statute is to deprive the plaintiff Eugene Derrick of the equal protection of the law in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States.

[fol. 32]

## VII

The plaintiff Eugene Derrick has no adequate remedy except by way of an injunction to restrain the defendants Orville Hodge, Auditor of Public Accounts of the State of Illinois, Latham Castle, Attorney General of the State of Illinois, and John Gutknecht, State's Attorney for Cook County, Illinois, from enforcing against the plaintiff Eugene Derrick the provisions of said Illinois Community Currency Exchanges Act.

## VIII

The plaintiff Eugene Derrick, pursuant to the provisions of Sections 2281 and 2284 of Title 28, United States Code, prays:

(1) That a preliminary injunction be issued by the three judge court heretofore convened pursuant to the provisions of Section 2284 of Title 28, United States Code, restraining and enjoining the said Orville Hodge, Latham Castle and John Gutknecht from enforcing the provisions of the Illinois Community Currency Exchanges Act against said plaintiff pending trial of said action upon the merits.

(2) That the court decree that said Illinois Community Currency Exchanges Act is unconstitutional and void in its application to said plaintiff in that it denies said plaintiff the equal protection of the law in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States.

(3) That a permanent injunction be issued by said court after trial of this action upon the merits before said court perpetually enjoining and restraining the defendants Orville Hodge, Latham Castle and John Gutknecht from enforcing against said plaintiff the provisions of said statute.

- (5) For the said plaintiff's costs and disbursements,  
 (6) For such other and further relief as is just.

[fols. 33-35] John J. Yowell, 111 W. Washington Street, Chicago, Ill., Leonard Bosgraf, 10 S. LaSalle Street, Chicago, Ill., Harold B. Mackenzie, 10 S. LaSalle Street, Chicago, Ill., Attorneys for Plaintiffs.

*Duly sworn to by Donald Q. McDonald, et al. Jurats omitted in printing.*

[fol.36] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

ANSWER OF DEFENDANTS, ORVILLE HODGE, AUDITOR OF PUBLIC ACCOUNTS OF THE STATE OF ILLINOIS, AND LATHAM CASTLE, ATTORNEY GENERAL OF THE STATE OF ILLINOIS, TO THE AMENDED COMPLAINT—Filed September 22, 1954

Defendants, Orville Hodge, Auditor of Public Accounts of the State of Illinois, and Latham Castle, Attorney General of the State of Illinois, by Latham Castle, Attorney General of the State of Illinois, their attorney, without waiving any objections to the plaintiffs' complaint that have heretofore or may hereafter be asserted, answering the amended complaint filed herein, allege:

[fol. 37] First Count

# I

That they have no knowledge or information sufficient to form a belief as to the truth of the averment that the amount in controversy exceeds the sum of \$3,000.00 exclusive of interest and costs.

# II

That they have no knowledge or information sufficient to form a belief as to the truth of the averments of the first three sentences of paragraph II; and admit the remainder of said paragraph.



## III

That they have no knowledge or information sufficient to form a belief as to the truth of the averments of paragraph III; except that they allege that the office at 208 South La Salle Street, Chicago, Illinois, occupied by plaintiff, Doud, McDonald and Carlson, is also occupied by Bondified Systems, Inc., a Minnesota corporation; that the Chicago telephone directory published June, 1954, lists said corporate name as the subscriber for telephone service at said address, and does not list the alleged copartnership name of Bondified Systems as a subscriber for telephone service at any address; and that they allege that the printed money orders issued and sold by the plaintiff Derrick as Bondified money orders and drawn on said City National Bank and Trust Company of Chicago, did not bear the name of Bondified Systems, Chicago, Illinois; but bore the name of Bondified Systems, Inc., Chicago, Illinois, as the drawer thereof, and the name of Derrick Drugs as the agency of said drawer.

[fol. 38]

## IV

That they deny the averments of paragraph IV; that they allege that as of the time of the filing of said action, there were, and are now, in excess of 600 community currency exchanges in the State of Illinois duly licensed under the provisions of the Currency Exchange Statute of said state (Ill. Rev. Stat. 1953, Chap. 16 1/2, Secs. 30 to 56.3, inclusive); that most of them are situated in the County of Cook which contains the Chicago area, and most of them are located outside the main business district of the City of Chicago; that their money order and other facilities are readily available to all the people of the Chicago area; that for the year ended December 31, 1950, the 577 duly licensed community currency exchanges in Illinois issued \$359,485,363.00 in money orders; that for the year ended September 30, 1951, the 597 duly licensed community currency exchanges in said state issued \$402,799,476.00 in money orders; that for the year ended September 30, 1952, the 607 duly licensed community currency exchanges in said state issued \$445,812,899.00 in money orders; that the assets of said community currency exchanges totalled as follows: as of December 31, 1950, \$14,416,708.00; as of September 30,



1951, \$14,772,542.00; as of September 30, 1952, \$15,780,631.00; that in excess of 80% of said sums constituted cash and liquid funds; that pursuant to the requirements of said statute, said community currency exchanges filed with the Auditor of Public Accounts of said state surety bonds aggregating \$6,800,000.00 for the year ending December 31, 1952, covering 80.2% of their average money-order liability as defined in said statute, and surety bonds aggregating \$7,781,000.00 for the year ending December 31, 1953, covering 91.7% of their said average money order liability; that the alleged services which the plaintiffs contemplate furnishing, consisting of the unlimited issuance of their personal money orders under their firm name at 500 or more locations, on an unmarked cash deposit of only \$10,000.00 and a \$10,000.00 surety bond, cannot safely meet the economic need alleged by the plaintiffs and would violate the public policy of the State of Illinois.

## V

(a) That they admit there is in force in Illinois "An Act in relation to the definition, licensing and regulations of community currency exchanges and ambulatory currency exchanges, and the operators and employees thereof, and to make an appropriation therefor, and to provide penalties and remedies for the violation thereof" (Ill. Rev. Stat. 1953, Chap. 46 $\frac{1}{2}$ , Secs. 39 to 56.3, inclusive); but they deny that when the original Act was enacted in 1943, it was in substantially its present form, and allege that the averments in paragraph V of the amended complaint as to the provisions of said Act, as amended, are inaccurately and insufficiently stated; that said original Act was amended in numerous particulars in 1945, 1947, 1949 and 1951.

## VI

That they deny the allegations contained in paragraphs VI, VI(1), VI(2), VI(3), VI(4), except that they admit the averments of the second, third, fifth, eighth, tenth, and eleventh sentences of paragraph VI(2), and allege that they have no knowledge or information sufficient to form a belief as to the truth of the averments relating to the residence of the individuals engaged in the business of

the American Express Company, and those relating to American Express Company, Inc. of Illinois, and to the number of agents in Illinois of the American Express Company; that they allege that the American Express Company has been in existence since 1868 as a joint stock association under the laws of the State of New York, and is engaged in the business of performing financial, travel and shipping services, and in the movement of goods and equipment, money and valuables, business travelers and vacationists anywhere in the free world; that its financial services include the sale of travelers cheques, remittances to foreign countries, letters of credit, foreign and domestic money orders and drafts and cable transfers; that it has issued its money orders since 1882; that it maintains a network of 309 offices, sub-offices and service points, 4,234 correspondents and 61,905 sub-agencies and other outlets, and is staffed by nearly 8,000 employees; that its operations have been profitable over a period of many years; that as of December 31, 1949, its total assets amounted to \$220,693,118.00 and its tangible net worth amounted to \$24,160,144.00; that as of December 31, 1950, its total assets amounted to \$233,261,080.00, and its tangible net worth amounted to \$28,802,512.00; that as of December 31, 1951, its total assets amounted to \$252,701,865.00, and its tangible net worth amounted to \$26,175,737.00; that as of December 31, 1952, its total assets amounted to \$279,569,518.00, and its tangible net worth amounted to \$31,975,257.00; that as of December 31, 1949, its net profit totalled \$2,437,919.00; that as of December 31, 1950, its net profit totalled \$3,025,535.00; that as of December 31, 1951, its net profit totalled \$3,285,947.00; that as of December 31, 1952, its net profit totalled \$3,756,931.00; that substantial differences exist between the alleged business of the plaintiffs and that of the American Express Company, with reference to their character, solvency, financial responsibility, security, age, experience, business and monetary facilities, which have a substantial and reasonable relation to the protection of the public from loss by reason of their respective operations so far as the issuance and sale of their personal money orders is concerned; that the Illinois legislature in the enactment of said Currency Exchange Statute may have reasonably believed that the said differences were

pertinent to the subject with respect to which the classification was made; and that the causes of the evil at which said Act was in part directed, namely, the issuance and sale of worthless money orders by irresponsible parties, did not exist in the operation of the American Express Company to the same extent as in the operations of the local currency exchanges including those of the kind allegedly conducted by the plaintiffs.

## VII

That they admit they threatened to enforce the said statute against the plaintiffs if the latter violated the same, directed against any particular conduct of the plaintiffs; that at the time they made said threats, the plaintiffs had either not violated said statute, or these defendants were not apprised of any violation; that these defendants were not informed of any such violations until amended complaint informed them of the same; that these defendants have thus far taken no legal steps against the plaintiffs to enforce said statute.

## VIII

That they deny the truth of the first sentence of paragraph VIII; that they admit that the plaintiffs' agents will be required by said statute to qualify as currency exchanges in accordance with the provisions of said statute; that they have no knowledge or information sufficient to form a belief as to the truth of the averments as to the plaintiffs' desire to establish immediately 500 or more [601.42] locations; that they deny there would be a minimum annual investigation fee of \$20.00 for each place of business; that they have no knowledge or information sufficient to form a belief as to the truth of the averments that the profits to be derived by the plaintiffs from the operation of said business would not permit of the payment of the fees required by said statute, or that it would be necessary for the plaintiff to pay the alleged fees; that they allege that the mere fact that the plaintiffs may find it difficult to meet the requirements of said statute, or that they do not desire to utilize the privileges of said statute as fully as they might if they were licensed thereunder, does not militate against the constitutionality of said statute; that they deny

that the business of the American Express Company is identical in character and conducted in the same manner as that of the plaintiffs; that they deny the truth of the last two sentences of said paragraph VIII; that they allege that the allegations contained in said paragraph VIII relative to the number of locations the plaintiffs desire, or would hope to establish, constitute pure speculation.

## IX

That they deny the allegations of paragraph IX; that they allege that the plaintiffs have a speedy and adequate remedy in the courts of the State of Illinois; that the plaintiffs do not show the imminence and immediacy of any enforcement of the said statute, or any exceptional or irreparable injury they might sustain if they prosecuted their action in the state courts; that the plaintiffs have not presented to the Supreme Court of Illinois the constitutional question now urged; that by reason thereof this Court is either without jurisdiction to consider it in the first instance here, or would commit an abuse of discretion to make a pronouncement on the constitutionality of said Currency Exchange Statute.

## X

That they deny that the plaintiffs are entitled to the relief prayed in paragraph X of the amended complaint, or any part thereof.

## XI

That the first count fails to state a claim upon which relief can be granted.

## XII

That they further allege that as aforesaid, the money orders issued and sold by plaintiff Derrick and drawn on City National Bank and Trust Company of Chicago, bore the name of Bondified Systems, Inc. as the drawer thereof, and the name Derrick Drugs as the agency of said drawer; that Bondified Systems, Inc. was a Minnesota corporation organized May 18, 1953, under the name of Currency Services of Illinois, Inc.; that its stated capital is \$10,000.00; that the incorporators and directors thereof were the plaintiffs

Doud, McDonald and Carlson; that it was organized, among other purposes, "to manufacture, purchase, issue, sell and to distribute money orders, checks, corporate guaranteed checks and other currency service materials of all kinds, and to authorize, appoint and license agents, agencies, partnerships or other corporations in the State of Illinois to receive, sell and distribute said money orders, checks and other currency service materials"; that under date of July 16, 1953, the articles of incorporation of said corporation were duly amended so that the name of said corporation was changed to Bondified Systems, Inc., and [fol. 44] there was added to the purposes of said corporation a provision that the purposes shall not be construed to authorize or empower it to conduct or carry on a currency exchange business as defined and set out in the Illinois Currency Exchange Statute, and that no such authority or power was requested therein; that under date of July 30, 1953, there was issued to said Bondified Systems, Inc. by the Secretary of State of the State of Illinois a certificate of authority to transact business in Illinois, subject to the aforesaid express restriction that it shall not be authorized or empowered to conduct or carry on a currency exchange business as defined and set out in said Currency Exchange Statute; that a photostatic copy of one of the said money orders issued and sold by the plaintiff, Derrick is as follows:



Here Follows 1 photolithograph, side folio 44a

Keep this stub, it is your ~~Bondified~~ receipt.

D 1934

DATE 5-6-34

Carl Strom

To Whom Paid

Address

3 3

AMOUNT

500

FEE

10

TOTAL

510

Pay your bills here.

BONDIFIED SYSTEMS, INC.  
Chicago, Illinois

Derrick Drugs Agency

# Bondified MONEY ORDER

DO NOT PAY OVER  
\$10 - \$50 - \$100

CITY NATIONAL BANK  
and Trust Company  
of Chicago

Member Federal Reserve System

D 1934

DATE

May 6 1934

PAY TO THE  
ORDER OF

Carl Strom

DOLLARS			CENTS
-	-	5	

Five and no

3 3

Bondified Money Order Service, Operated Under License, sent to

R Palachuk

Remitter

BONDIFIED SYSTEMS, INC.

Chicago, Illinois

25

Derrick Drugs

Agency No. 1

Address

Licensed



Bonded

Authorized Signature

Checks Inc., Mpls., Minn.

Reg. U.S. Pat. Off.

IF DEPOSITED OR CASHED

NOT PAY

44a

321

[fol. 45]. It appears from said money order that it was issued under "license" granted to said corporation, that it was issued by plaintiff Derrick doing business as Derrick Drugs, as Agency No. 1 of said corporation, and that said money order was "licensed" and "bonded"; that the wording of said money order was reasonably and well calculated to deceive and defraud the people of the State of Illinois into the belief that Bondified Systems, Inc. was licensed and bonded in accordance with the provisions of said Illinois Currency Exchange Statute, and lawfully authorized to draw such money orders, although the plaintiffs well knew to the contrary thereof; that the plaintiffs Bond, McKenzie and Carlson have continued to be and now are officers and directors of said corporation; that by reason of said premises, the plaintiffs practiced fraud and deception upon the public in the conduct of their alleged business, and come into equity with unclean hands.

## Second Count

### I

That they adopt, reallege and incorporate herein their averments of paragraph I, *supra*, in answer to the first count.

### II

That they have no knowledge or information sufficient to form a belief as to the truth of the averments contained in paragraph II.

### III

That they adopt, reallege and incorporate herein their averments in paragraphs II, III, IV, V, VI, VII, VIII and IX *supra*, in answer to Count I.

[fol. 46].

### IV

That they have no knowledge or information sufficient to form a belief as to the truth of the averments contained in paragraph IV.

### V

That they admit that the plaintiff Derrick sent to defendant Hodge the letter set forth in paragraph V.

## VI

That they deny that the plaintiff Derrick will sustain permanent and irreparable damage by reason of any attempt of the defendants to require compliance with the Illinois Currency Exchange Statute, as amended, and allege that they have made no such attempt; that they deny the truth of the last sentence of paragraph VI; that they have no knowledge or information sufficient to form a belief as to the truth of the remaining averments of paragraph VI, except that they admit that if the plaintiff Derrick sold Western Union Telegraph, Postal Telegraph, or American Express money orders, he would not be required by the said statute to comply with it.

## VII

That they deny the averments of paragraph VII; that they allege that the plaintiff Derrick has an adequate and speedy remedy in the courts of the State of Illinois, and adopt, reallege and incorporate herein their averments in paragraph IX *supra* in answer to the first count.

[fol. 47]

## VIII

That they deny that the plaintiff Derrick is entitled to the relief prayed in paragraph VIII, or any part thereof.

## IX

That Count II fails to state a claim upon which relief can be granted.

## X

That they adopt, reallege, and incorporate herein their averments in paragraph XII *supra*, in answer to the first count, and allege that by reason of said premises, the plaintiff Derrick comes into equity with unclean hands.

WHEREFORE, by reason of the foregoing answer, the defendants pray that the amended complaint may be dismissed.

Orville Hodge, Auditor of Public Accounts of the  
State of Illinois; By Nathan Castle, Attorney Gen

eral of the State of Illinois, 160 No. LaSalle St.,  
Suite 900, Chicago 1, Illinois, Phone: Financial  
6-2900, Attorney for Said Defendants.  
William C. Wines, Raymond S. Sarnow, Assistant  
Attorneys General, Of Counsel.

[fol. 48-49] *Duly sworn to by William C. Wines jurat  
omitted in printing.*

[fol. 50] IN THE UNITED STATES DISTRICT COURT

ANSWER TO AMENDED COMPLAINT—Filed September 23,  
1954

Now comes John Gutknecht, State's Attorney of Cook  
County, Illinois, defendant herein, and for answer to the  
amended complaint states:

1. That this defendant adopts the answer of defendants,  
Orville Hodge, Auditor of Public Accounts of the State of  
Illinois, and Lathiam Castle, Attorney General of the State  
of Illinois, to the First Count of the Amended Complaint  
as his answer thereto.

2. For answer to Count Two of the Amended Complaint  
defendant says that this defendant cannot perform any act  
with respect to the enforcement of the Illinois Community  
Currency Exchanges Act in the City of Wheaton, County  
of Du Page, State of Illinois, for the reason that the said  
City of Wheaton and County of Du Page are not within  
the jurisdiction in which this defendant is the State's At-  
torney.

WHEREFORE, the defendant, John Gutknecht, State's At-  
torney of Cook County, Illinois, prays that this cause be  
[fol. 51, 53] dismissed at plaintiffs' costs.

John Gutknecht, State's Attorney of Cook County,  
Illinois; By: Clarence W. Beatty, Jr., Assistant  
State's Attorney.



Received copy of the foregoing answer this 22nd day of September, A.D. 1954.

John J. Yowell, 111 W. Washington St., Leonard Bosgraf, 10 S. La Salle St., Harold B. MacKinzie, 10 S. La Salle St., Chicago, Illinois, Attorneys for Plaintiffs.

[fol. 54] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

**Transcript of Proceedings—December 1, 1954**

had at the hearing of the above-entitled cause, before Honorable Elmer J. Schmackenberg, Judge of the United States Court of Appeals for the Seventh Circuit, Honorable Julius J. Hoffman and Honorable Walter J. LaBuy, Judges of the United States District Court for the Northern District of Illinois, sitting as a Statutory Three-Judge Court, at Chicago, Illinois, on December 1, 1954, at 10:30 o'clock a. m.

[fol. 55] APPEARANCES:

Mr. John J. Yowell, and Mr. Harold Mackenzie, on behalf of the plaintiffs.

Mr. William C. Wines, on behalf of defendants, Orville Hodge and Latham Castle.

Mr. Clarence Beatty, on behalf of defendant, John Gutknecht.

Mr. Hirsch E. Soble, Amicus Curiae.

Mr. Yowell: To save time before the Judges come in, I will ask you to mark these documents Plaintiffs' Exhibits for identification.

(Said documents were marked Plaintiffs' Exhibits Nos. 1 to 28, respectively, both inclusive, for identification.)

[fol. 56] The Clerk: 53 C 2322, George W. Dond, et al. vs. Orville Hodge, et al., for trial.

Judge Schmackenberg: Are the parties ready?

Mr. Wines: Yes.

Mr. Yowell: Yes, if your Honor please.

Judge Schnackenberg: The Court, as to the request of the Amicus Curiae to participate in examination and cross examination of witnesses has decided that that leave will not be given.

The plaintiffs may proceed with the evidence for the plaintiffs.

Mr. Yowell: Mr. Carlson, will you take the stand?

JOHN WESLEY CARLSON, called as a witness herein on behalf of the Plaintiffs, having been first duly sworn, testified as follows:

Direct examination.

By Mr. Yowell:

Q. State your full name, please.

A. John Wesley Carlson.

Q. Are you one of the plaintiffs in this case?

A. Yes, I am.

Q. Where do you live?

A. I live in Wheaton, Illinois, 811 Howard Street.

[fol. 57] Q. Are you in business in the City of Chicago?

A. Yes, I am.

Q. Where is your office?

A. 36 South State Street, in the North American Building.

Q. Where were you born?

A. In Chicago.

Q. When?

A. 1911, August 27th.

Q. Have you lived in Chicago ever since you were born, or not?

A. No, I lived in Northern Indiana from the time I was two until I was almost seventeen.

Q. Have you lived anywhere else, outside of the State of Illinois?

A. I lived in Boston for six months.

Q. When was that?

A. In 1934.

Q. What is the nature of your business?

A. I am a factory representative, representing six firms, selling ladies' handbags.

Q. What is the area of your operations in that business?

A. Thirteen states, from West Virginia out to Nebraska [fol. 58] and the Dakotas and Kansas on the west. Would you like all of them?

Q. No. What has been your average annual gross sales in that business for the past six years, approximately?

A. Between five hundred and six hundred thousand, annually.

Q. Have you occupied any positions of trust outside of your business activity?

A. Yes, I am treasurer of the Wheaton College Alumni Association, and serve on its Board of Directors.

Q. Are you a graduate of Wheaton College?

A. Yes, I am.

Q. How much money do you have personally invested in this Bondified Money Order business?

A. \$13,300.

Q. Do you have other investments in other enterprises?

A. Yes, I have.

Q. State whether or not those investments are in smaller or larger amounts than the amount you have invested in this business.

A. One is larger; some are smaller.

Q. How did you become interested in Bondified Money Orders?

[fol. 59] A. Through Mr. McDonald.

Q. That is another plaintiff in this case?

A. Yes.

Q. How long have you known the McDonald family?

A. Since 1928 when we moved to Wheaton. His sister was in my class at college, and I became acquainted with him.

Q. Is McDonald also a graduate of Wheaton College?

A. Yes.

Q. How did you meet Mr. Doud, the third plaintiff?

A. Through Mr. McDonald.

Q. You say you discussed this matter of Bondified Money Orders with McDonald?

A. Yes. Mr. McDonald had been up to Minneapolis, and had become acquainted with Mr. Dahldorf, who is president of Checks, Incorporated, who licensed the Bondified operations through the country. He came back and told me about it, and it seemed like a very good possibility for investment.

Q. Then did you go to Minneapolis with Doud and McDonald?

A. I went with Mr. McDonald, and we met Mr. Doud there. He was living in Minneapolis at the time.

[Ex. 100] Q. Did you go anywhere else to make an investigation of this Bondified Systems?

A. Yes, I learned, when I was in Minneapolis, that Detroit had an operation, as well as several others in leading cities in the United States, but I went to Detroit because it was closer, and talked to Mr. Hannon and Mr. Moore there.

Q. Is any member of your family interested in the Bondified Money Order business?

A. Yes. My brother Norman is a principal in the Boston operation.

Q. Did Mr. Doud also attend Wheaton College?

A. Yes, he did, for three years I believe.

Q. Is he a graduate of any other university?

A. I believe he graduated from the University of Minnesota after he got out of the Service.

Q. What did you find with reference to your ability to get a license to operate in Illinois a corporation with headquarters, say, in Chicago?

A. We were refused.

Mr. Wines: I object to that.

Judge Schmackenbergl: I didn't understand the question. Will you rephrase it?

[Ex. 61] Mr. Yowell: Very well, I will.

By Mr. Yowell:

Q. What, if anything, did you find as to your ability to obtain from these people in Minneapolis, Checks, Incorporated, a license to operate in Illinois?

Judge Schmackenbergl: Sustained.

By Mr. Yowell:

Q. What did you do as the result of your conferences in Minneapolis?

A. We decided to apply to Checks, Incorporated.

Mr. Wines: Have him tell what he did rather than what he decided to do.

By Mr. Yowell:

Q. Did you apply to them?

A. We applied for a license.

Q. Did you organize a corporation?

A. Yes, we did.

Q. In what state?

A. In Minnesota.

Q. What was its original name?

A. Currency Services of Illinois, Incorporated.

Q. Did you undertake to obtain a license for that corporation to operate in Illinois?

A. Would you restate that?

[fol. 62] Q. Did you undertake or attempt to obtain for that corporation a license to operate in Illinois, the Money Order business?

A. Yes, we did.

Mr. Wines: I don't understand the kind of license counsel is referring to.

Judge Schnackenberg: Do you object to the question?

Mr. Wines: I object.

Judge Schnackenberg: Overruled. The answer may stand.

By Mr. Yowell:

Q. I show you an exhibit which has already been marked by the reported Plaintiffs' Exhibit 4 for identification, and ask you whether or not that is a letter received from the Secretary of State regarding the matter of having a license in the State of Illinois.

A. Yes.

Q. And I ask you the same question with respect to Plaintiffs' Exhibit 2 for identification.

A. Yes.



Q. After you received those letters from the Secretary of State, did you speak to anyone connected with the State [fol. 63] Auditor's office with respect to operating a Money Order business in the State of Illinois?

A. Yes, with Mr. Mackenzie, one of our lawyers, I went over to the office, the Auditor's office, and talked to Mr. Jack Smith, and he advised us of the law, and said that the office would stand back of the law.

Q. Well, can you state what further was said, if anything, while you were there talking to Mr. Smith?

A. Well, we had, in the meantime, engaged—

Judge Schnackenberg: The question is, what else was said at that meeting with Smith.

B. Mr. Yowell:

Q. Can you recall anything else that was said at that meeting?

A. Well, he said that Mr. Derrick, who was our agent out there, was operating contrary to the law.

Mr. Wines: Can we have the time of this conversation fixed?

By Mr. Yowell:

Q. As nearly as you can fix it.

A. I think it was in the early part of June, in 1953.

Q. After you received these letters from the Secretary of State, Plaintiffs' Exhibits 1 and 2 for identification, did you change the name of your corporation?

[fol. 64]. A. Yes, we changed from Currency Services to Bondified Systems, Incorporated.

Q. Did you amend your charter in any respect?

A. Yes, to state that we would not engage in business as a currency exchange.

Q. As a corporation?

A. Yes.

Q. Did you then obtain a license?

Judge Schnackenberg: Just a moment. I don't know what the answer is, in view of the suggestion of counsel.

Would you read the question that was put to him before counsel suggested something?

(Record read.)

Mr. Yowell: I will strike that, and finish the last question.

By Mr. Yowell:

Q. After you found that your corporation could not get a license in Illinois, what did you determine to do?

A. We determined to form a partnership and see if we could operate as a partnership.

Q. I show you Plaintiff's Exhibit 3 for identification. Is that the partnership agreement signed by the three partners, the plaintiffs in this case?

[fol. 65] A. Yes.

Judge Schnackenberg: What is the answer?

The Witness: Yes.

By Mr. Yowell:

Q. Did the partnership take a lease on office space at 298 South LaSalle Street?

A. Yes.

Q. Is Plaintiff's Exhibit 4 for identification the lease signed by the partners and by the building?

A. Yes.

Q. So that the corporation obtained from Checks, Incorporated a license to operate in the northern part of Indiana, and also in parts of Illinois?

A. Yes, three counties in Northern Indiana.

Q. Is Plaintiff's Exhibit 5 for identification the operator contract between Checks, Incorporated and the corporation you have been referring to?

A. Yes.

Q. Did the partnership then take an assignment from the corporation of that part of the license as it pertains to the Illinois territory? Did it, or didn't it?

A. Will you restate that?

Q. Did the partnership then obtain an assignment from the corporation of a part of the license, namely that part [fol. 66] which covered territory in Illinois?

A. Yes.

Q. Is that Plaintiffs' Exhibit 6 for identification the original assignment executed by the plaintiffs?

A. Yes.

Q. Were these instruments I have shown you all executed on or about the respective dates they bear?

A. Yes.

Q. Did you do anything with reference to obtaining a bond to cover the corporation and or the partnership?

A. Yes, we took out a bond, bonding all of the partners and all of our employees.

Q. Is Plaintiffs' Exhibit 7 such a bond, or that bond?

A. Yes, that is right.

Q. Did you enter into an agreement as a partnership with the City National Bank & Trust Company of Chicago on or about October 6, 1953?

A. Did you say did we enter into an agreement?

Q. Yes.

A. Yes.

Q. Is Plaintiffs' Exhibit 8 for identification the original deposit agreement executed by that bank and by the partnership?

A. Yes.

[fol. 67] Q. Was that executed on or about the 6th day of October, 1953?

A. Yes.

Q. Did that provide that a deposit therein described would be used—

Mr. Wines: I think the agreement will speak for itself.

Mr. Yowell: Very well, I will withdraw it, if that is the objection.

By Mr. Yowell:

Q. Did you obtain a bond in favor of the bank in connection with that contract?

A. Yes, a performance bond.

Q. Is Plaintiffs' Exhibit 9 for identification that bond?

A. Yes, that is it.

Q. Did you, as the partners then, or as the partnership, enter into any arrangement with the corporation with respect to the actual conducting of the Indiana operation?

A. Yes, the corporation licensed the  
Judge Schnackenberg: That could be answered yes or no.

By the Witness:

[fol. 68] A. Yes.

By Mr. Yowell:

Q. Is Plaintiffs' Exhibit 10 that arrangement or that contract, evidencing that arrangement?

A. Yes.

Judge Schnackenberg: Is that contract between the parent company and—

Mr. Yowell: No, that is between their corporation, which is licensed in Indiana, and the partnership, so that the partnership, instead of having two sets of books, the partnership would actually be their agent in Indiana as well as whatever operations they might do in Illinois.

By Mr. Yowell:

Q. Did you have an agreement between the partners with reference to insurance?

A. Yes.

Q. Is Plaintiffs' Exhibit 11 for identification that agreement? That contract that is signed by all of the partners?

A. Yes.

Q. Did you appoint any agent in Illinois as a partnership?

A. Yes, Mr. Derrick in Wheaton.

[fol. 69] Q. Did you enter into an agency license agreement with Mr. Derrick?

A. Yes; we did.

Q. Is Plaintiffs' Exhibit 12 for identification that license agreement?

A. Yes.

Q. Was that executed by the partnership and by Mr. Derrick on or about the date it bears, in August, 1953?

A. Yes, it was.

Q. Did you arrange for a bond to cover Mr. Derrick?

A. Yes, we did.

Q. Did you also have that bond covering agents of the corporation in Indiana?

A. Yes.

Q. Is Plaintiffs' Exhibit E that bond?

A. Yes.

Q. Besides the bank account referred to in the operating contract, which is Plaintiffs' Exhibit S for identification, did you have any other bank accounts of the partnership in the City of Chicago?

A. We had the operating — the partnership operating account.

Q. Did you also have a corporate operating account for your Indiana operations?

[fol. 70] A. We have a corporate account, but we use the partnership account for our operations in Indiana.

Q. After you entered into the arrangement with the corporation whereby the partnership would also be the agents of the corporation in Indiana, was the money from the corporation operating account gradually transferred to the partnership operating account?

A. Yes.

Q. Now, what is the purpose of the special bank account that is referred to in that Plaintiffs' Exhibit S for identification, that is the bank deposit account?

A. \$10,000 was set aside in that against which all money orders were to clear. It was through an agreement with Checks, Incorporated that there would always be this \$10,000, and we were not permitted to withdraw anything out of that account.

Q. Do you devote your time daily to this enterprise?

A. No, I do not.

Q. Are you familiar with the details of the bank accounts or the details of either the corporate or the partnership business?

A. No.

Q. What was the total amount subscribed for the stock of this corporation?

[fol. 71] A. \$10,000.

Q. I mean the total amount for stocks in the corporation.

A. Who subscribed?

Q. Yes.

A. \$66,500.

Q. Of that amount, how much was subscribed by each, by you and Doud and McDohald?



A. \$13,300.

Judge Schnackenberg: Each, or total?

The Witness: Each.

Judge Schnackenberg: Three times that, then?

The Witness: Yes.

By Mr. Yowell:

Q. Were subscriptions also made by other people to the corporation?

A. Yes.

Q. What, if anything, was done by the corporation to collect the subscriptions from you and Doud and McDonald over and above the \$13,300 you said each of you paid in?

A. As money is needed, the stockholders are called upon to deposit with us.

Q. Was there any arrangement whereby the money that [fol. 72] you had put up should be utilized by the partnership, that is, that the \$30,000 subscribed by you could be put into the partnership rather than into the corporation?

A. Yes.

Q. What about the remaining \$3,000 subscribed by each of the partners of and above the \$10,000?

A. That went into the corporation account.

Q. Then \$10,000 from each of you, as I gather, was paid with the consent of the corporation into the partnership account, is that right?

A. That is right.

Q. Now, has other money been paid in on subscriptions?

A. Yes.

Q. Can you state who paid it, and how much?

A. Well, yes. Mr. Cramer paid in \$5,000, and Mr. Henning a thousand, to date.

Q. Is there any agreement with respect to the balance of the subscriptions to be paid in?

A. It will be paid in when called for.

Q. Are Mr. Doud and Mr. McDonald active full-time in this operation?

[fol. 73] A. Yes, they are.

Q. Has Mr. Doud been employed constantly since it started, or not?

A. No, shortly after—well, I should say the first of Feb.

rnary, Mr. Doud became ill with encephalitis and was out of the business for three months.

Q. That was from February 1st to May 1st, 1954?

A. Yes, sir.

Q. During that period, did he borrow any money from this corporation?

A. Yes, he did need some additional funds, and he borrowed.

Q. With the consent, I take it, of the partners and of the stockholders and directors?

A. Yes, that is right.

Q. Did he repay that money?

A. Yes, he repaid it with interest.

Q. After the partnership took over the corporation, with respect to the Indiana operation, I believe you said that gradually the money was ziponed out of the corporation operating account into the partnership operating account, is that right?

A. That is right.

Q. Is that corporate operating account still kept alive by [fol. 74] having some money there?

A. Yes, there is—

Q. How much, if you know?

A. Approximately \$38, which represents the interest paid by Mr. Doud on the money he borrowed.

Mr. Yowell: You may cross examine.

Cross-examination.

By Mr. Wines:

Q. Mr. Carlson, are you familiar with the form of money order and stub that is sold by Bondified in those territories in which it is selling them?

A. I am not familiar with the stub, no.

Q. Are you familiar with the money order and stub that was sold in Illinois by Bondified when Mr. Derrick sold—I mean sold by Mr. Derrick for Bondified when he was selling them?

A. If you mean by "familiar," do you mean I know everything on them?

Q. Would you recognize it if you saw it?

A. Oh, yes; surely.

Q. All right, if I may refer to this photostat of the answer to expedite the time, and I will refer to this for the record [fol. 75] as Defendants' Exhibit 1, being the photostat on page 9 of the defendants' printed answer.

Judge Schnackenberg: May I ask you, are you calling it Defendants' Exhibit 1? Does that include the State's Attorney?

Mr. Beatty: Yes, your Honor.

Judge Schnackenberg: All right, then all of the Defendants' Exhibit 1.

Mr. Beatty: Your Honor, the State's Attorney has adopted the answer.

Judge Schnackenberg: I know. You are still here as counsel for the State's Attorney. If this exhibit is to represent you as an exhibit as well as the other defendants, it is agreeable.

Mr. Beatty: It is agreeable.

Judge Schnackenberg: It is agreeable to you?

Mr. Beatty: Yes.

Judge Schnackenberg: Would that be true as to all the exhibits so far as you know, unless you object otherwise?

Mr. Beatty: Yes, unless I object otherwise, that will be true.

By Mr. Wines:

[fol. 76] Q. Is that the type of money order that was sold by Mr. Derrick when he was selling them for Bondified?

Mr. Yowell: I object to this, if the Court please. It is not proper cross examination. He said he didn't know anything about the details. The next witness will.

Mr. Wines: All right.

Judge Schnackenberg: Do you want a ruling?

Mr. Wines: No, your Honor. If the next witness knows, I certainly do not want to duplicate.

Judge Schnackenberg: The question is withdrawn, then. I take it?

Mr. Wines: Yes.

By Mr. Wines:

Q. Will you tell us again, please, just how much money is any bank account—are you the man to ask about the bank account?

A. No, I think the men who spent full time in there could give you a better answer.

Mr. Wines: I think that is all—just one moment.

Will you mark this Defendants' Exhibit 2 and this Defendants' Exhibit 3 for identification?

[fol. 77]. (Said documents marked Defendants' Exhibits 2 and 3, respectively, for identification.)

By Mr. Wines:

Q. Mr. Carlson, is Defendants' Exhibit 2 for identification a document issued by the Department of State, or the Secretary of State of Minnesota to which you referred? Is that the document to which you referred?

Mr. Yowell: Referred when, Mr. Wines?

By Mr. Wines:

Q. In your testimony.

Mr. Yowell: He referred to an original charter, and it changed its name as an amendment.

The Witness: I didn't say that.

By Mr. Wines:

Q. Is this a copy of the Articles of Incorporation to which you referred in your testimony? Do you want to look at it, Mr. Yowell?

This is something—

Judge Schnackenberg: It seems to me that that is the sort of thing you lawyers ought to be able to agree upon.

[fol. 78] Mr. Wines: All right.

Judge Schnackenberg: Is that all? Any further cross examination?

Mr. Wines: No, your Honor.

Judge Schnackenberg: Any redirect?

Mr. Yowell: No.

Judge Schnackenberg: Step down.

(Witness excused.)

DONALD QUENTIN McDONALD, called as a witness herein on behalf of the plaintiffs, having been first duly sworn, testified as follows:

Direct examination.

By Mr. Yowell:

Q. State your full name.

A. My name is Donald Quentin McDonald.

Q. Are you one of the three plaintiffs in this case?

A. Yes, sir.

Q. Where do you live?

A. I live in Wheaton, Illinois, 1111 East Jefferson Avenue.

Q. How long have you lived in Illinois?

A. I was born in Illinois and lived there all my life with [1941-79] the exception of twelve years.

Q. Where were you during those twelve years when you were not in Illinois, just briefly?

A. I graduated from Wheaton College in 1940, and worked one year for the American Airlines, and then entered the U. S. Navy, four years in the Navy. A year and a half—

Q. Did you enlist in the Navy?

A. Yes; I enlisted in the Navy.

Q. What was your rank when you came out of the Navy?

A. I was lieutenant, senior grade.

Q. All right; go ahead.

A. For approximately two years after I was out of the Navy, I was director of young people's work in Christian education in a large Presbyterian church in Miami, Florida. And then one year after that—for one year, a district manager for the Club Aluminum Products Company of Chicago; district manager in the southern territory out of Memphis, Tennessee, and then also territory surrounding the states surrounding Minneapolis, Minnesota.

And then approximately four years, I was assistant to the executive managing trustee of the Wyoming Hereford



Ranch, Cheyenne, Wyoming. That was from 1948 to 1952 [fol. 80] and because of my wife's health in 1952, when altitude we were forced by doctors to go back to a lower altitude, and we returned to Wheaton, my home, in 1952.

Q. Then what did you do?

A. I became agricultural representative for the Charles Piser & Company, a chemical and biological firm. That was 1952-53, and that brings me up to my first contact with Bondified.

Q. Now, in one of these positions, did you live at any time in Minneapolis?

A. Yes, sir, as district manager for the Club Aluminum Products Company, I lived near Minneapolis, in a suburb.

Q. For how long, about?

A. Well, about five months.

Q. When did you become interested in the Bondified Money Order business?

A. In February of 1953, I was in Minneapolis residing on a week end, staying with friends up there.

Q. Who were the friends?

A. I was staying at the home of Mr. George Doud.

Q. Is he another plaintiff in this case?

A. Another plaintiff, yes, sir.

Q. All right, go ahead.

[fol. 81] Judge Schneckenberg: What is the question?

Mr. Yowell: Maybe I haven't got a question.

By Mr. Yowell:

Q. You were staying at the home of Mr. Doud. What, if anything, did you do about this Bondified business, or investigating it?

A. I met Mr. Elmer Dahldorf, who was president of Checks, Incorporated.

Mr. Wines: I did not get that name.

The Witness: Elmer Dahldorf, who was then president of Checks, Incorporated. I became interested in the system, and investigated the Minneapolis operation, which is a separate organization than Checks, Incorporated, and discussed such possibilities with Mr. Doud.

By Mr. Yowell:

Q. As a result, you proceeded substantially, did you, as Mr. Carlson has testified?

A. That is correct.

Q. Now, what are your duties in the partnership?

A. My duties are primarily to supervise the office, and also working outside in obtaining and installing and maintaining agents.

Q. Where?

[fol. 82]. A. That work is in Indiana, sir.

Judge Schmackenberg: Entirely in Indiana?

The Witness: We have one agent, Mr. Derrick, in Illinois.

Judge Schmackenberg: Do you supervise him?

The Witness: Yes, sir.

By Mr. Yowell:

Q. When did you start your operations in Indiana?

A. The starting date was November 9, 1953.

Q. During your first year of operations in Indiana, approximately what was the amount of money orders you have sold there?

A. Approximately \$1,400,000 in amount.

Judge Schmackenberg: The aggregate of that?

The Witness: That is correct.

Mr. Wines: Did you say in a month?

Judge Schmackenberg: I thought he said in a month.

The Witness: No, "in amount."

Judge Schmackenberg: The total amount aggregated that?

The Witness: That is right.

By Mr. Yowell:

Q. In the operation of this business, do you have certain [fol. 83] procedures and forms that you follow and use?

A. Yes, sir.

Q. I show you Plaintiffs' Exhibit 14 for identification, and ask you whether or not that is the collection of forms, being on pages numbered from 1 to 30?

A. Yes, sir.

Q. Now, if you will look at Plaintiffs' Exhibit 14 for

identification—now, mark this briefly now. I would like to have you, Mr. McDonald, tell us what each of those forms is.

What is the first one there? What is the first one called the agency license agreement, what is that?

A. Pages 1 and 2 are the agent's license agreement. This was the agreement that was signed between—

Judge Schmuckenberg: Wouldn't these exhibits speak for themselves to an intelligent reader?

Mr. Yowell: I think they are pretty intelligent, your Honor.

Judge Schmuckenberg: Maybe the Court would not qualify. Go ahead.

Mr. Yowell: I think you would.

By Mr. Yowell:

Q. Just tell us briefly, without referring to these forms, [fol. 84] how the thing operates, Mr. McDonald.

A. First of all, we must have an agent, and the first step is to obtain that agent. We survey an area and determine what the needs are in that area, and when we see a need for an agent, we then look for an agent, who might be, or will be morally and financially responsible, and determine in that locality who to contact, and then, after we have contacted prospective agents, when an agent is interested and desires to become an agent, we take the application for a bond, and also have him sign a license agreement with us which is not completed or approved until later investigation.

That agent is investigated. We use Dun & Bradstreet, and we use the Credit Reference Reports and personal investigation.

Q. Now, who are these agents? Are they people who devote full time to your business, or what are they?

A. Our agents are primarily merchants, retail merchants, such as drug stores, department stores, hardware stores, and grocery stores.

Q. So that your business is incidental to their business, is that right?

A. That is right.

[fol. 85] Q. And they conduct your business in the same establishment where they conduct their regular business?

A. That is right.

Q. Not in a separate place?

A. No, sir.

Q. All right. Go ahead, now, if you can add anything to that.

A. When that agent has been approved by our office, an installation is prepared, and our representative goes out and installs that agent, giving him the proper supplies, money orders, advertising, and instructs him as to how to sell. I mean, how to write the money orders.

Q. In the meantime, you have signed a contract with him, I suppose?

A. He had signed the contract, and we completed the contract.

Q. Do you do anything about a bond?

A. That agent is bonded for a minimum of a thousand dollars.

Q. Do the forms you supply him include the report forms whereby he reports money orders sold?

A. That is right.

Q. Now, when you licensed Mr. Derrick, did you order [fol. 86] special forms for use by him?

A. We ordered, as Bondified Systems, special forms for Mr. Derrick.

Q. Is Plaintiffs' Exhibit 15 a copy of the order to the printing company, the Holden Printing Company of Minneapolis, Minnesota, and also your order to Checks, Incorporated for the Derrick forms?

A. Yes, sir.

Q. Did you receive those forms?

A. Yes, sir.

Q. Did you supply them to Mr. Derrick?

A. Yes, sir.

Q. Did he start selling?

A. Yes, sir.

Q. Is Plaintiffs' Exhibit 16 a collection of checks, something under a hundred—not checks, but money orders actually sold by Derrick?

A. Yes, sir.

Q. After Mr. Derrick had run out of the forms of this 100 you ordered first, did you make a further order?

A. Yes, sir. The initial order was for a thousand, and we received delivery of 100, so when we needed more we asked for the remainder of that original thousand.

[fol. 87] Q. As Mr. Derrick sold these money orders, Plaintiff's Exhibit 16 for identification, did he make reports to you?

A. Yes, sir, he did.

Q. Does Plaintiff's Exhibit 17—does it consist of some of those reports?

A. Yes, sir, it does.

Q. Now, is Plaintiff's Exhibit 18 the further order that you made under date of January 6, 1954 for some more of the same forms?

A. Yes, sir.

Q. When you got the additional forms, what did you do?

A. As we needed to send them to Mr. Derrick, we continued to supply him with money orders.

Q. Did you notice that those forms actually contained the name "Life," after the name of the Bondified Systems?

A. No, sir, we did not until—

Q. When did you first notice that?

A. We first noticed it when it was brought to our attention by you, sir, I believe this last September.

Mr. Yowell: Now, if the Court please, I have a stipulation signed by counsel for the defendants that if Harold L. [fol. 88] Holden, president of the Holden Printing Company of Minneapolis, Minnesota were called as a witness, he would testify in accordance with his letter of September 28, 1954, a photostatic copy of which is hereby attached and made a part hereof.

In that letter Mr. Holden says:

"We have the original copy of your purchase order No. A-4731, dated January 6, 1954, and in tracing the handling of this order back to our printing department, we find that the error was made in the composing room. As you know, most of the printing orders that come from your office carry the name Checks, Inc., or Currency Service, Inc., or Bondified Systems, Inc. There have been only a few orders for Bondified Systems. When the composer set the type covering this order for imprinted money orders numbered from D-101 through D-1000 for Derrick Drugs, he fell into the



trap of a habit pattern. This was our error, and we will be glad to make the rerun at no charge to you or your [fol. 89] customer, Bondified Systems.

By Mr. Yowell:

Q. Did the printing company supply you then with corrected forms?

A. Yes, we received them.

Q. Did they make any charge for it?

A. No, sir.

Q. Did you supply them to Mr. Derrick?

A. As he had need for them, yes, sir.

Q. Is he now selling them in the correct form?

A. Yes, sir.

Judge Schnackenberg: Does that stipulation or letter refer to this language "licensed"?

Mr. Yowell: No, there is no mention of that. That is not an error. We will have some evidence on that, your Honor.

I didn't think—when we were talking before, I forgot we had some evidence along that line which I think will throw light on it.

Judge Schnackenberg: All right.

By Mr. Yowell:

[fol. 90] Q. As soon as you discovered this error originally—I am going back a little bit in point of time—did you notify Mr. Derrick?

A. Immediately, sir.

Q. To stop until you got the correct forms?

A. To stop selling them until we got the correct forms.

Q. Now, you heard Mr. Carlson's testimony about the three bank accounts?

A. Yes, sir.

Q. Did you open a bank account in October of 1953 with the City National Bank & Trust Company for Bondified Systems' special account?

A. I believe it was about that time, yes, sir.

Q. Is Plaintiffs' Exhibit 19—or does Plaintiffs' Exhibit 19 for identification consist of statements of that bank, and

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showing the amount of deposits and the amount of balances in the account from October 30, 1953 to October 29, 1954?

A. Yes, sir, I believe so.

Judge Hoffman: What is that number, Mr. Yowell?

Mr. Yowell: That is No. 19, your Honor.

By Mr. Yowell:

[fol. 91] Q. Is Plaintiffs' Exhibit 20 for identification a statement of the City National Bank & Trust Company of the amount on deposit in Bondified Systems, Incorporated account as of November 30 and December 7, 1953?

A. Yes, sir.

Q. Is that the corporation operating account?

A. That is the corporation account.

Q. How much is now in that corporation operating account?

A. I believe it is \$38.40.

Mr. Yowell: You may cross examine.

Cross-examination.

By Mr. Wines:

Q. Mr. McDonald, I will show you what has been referred to as Defendants' Exhibit 1 for identification, being a photostat on page 9 of the defendants' printed answer, and I will ask you to look at it as long as you care to.

Was that the form of money order that was sold by Mr. Derrick under your auspices until—well, at any time?

A. Yes, sir.

[fol. 92] Q. And that stub that was attached, that was delivered to the customer, too, wasn't it?

A. It should have been, yes.

Q. It should have been, yes, so that the customer would have that for his memorandum.

A. That would be his receipt.

Q. And subsequently, when your attention was called to the words "Inc.," it was rerun in just this form, except that "Inc." and perhaps the comma, left off, is that so?

A. I would say so.

Q. Is that the form that will now be used by the Bondified

systems that it intends to use if it should engage in business in Illinois?

A. That is one of the forms.

Q. One of the forms, yes. Now, do you have any—I want you to listen to this question carefully, please.

Do you have, the Bondified Systems, or the partnership or the corporation, have any contracts or agreements with any public utilities in Illinois under the terms of which you are appointed or constituted the agent of those utilities for the purpose of receiving payments of bills, utility bills, with the understanding that the money becomes that of the [fol. 93] utility, and the customer is exonerated from liability?

A. No, sir.

Q. You do not?

A. No, sir.

Q. Or with any other companies, such as Marshall Field or any stores, is Mr. Derrick the agent of any store, utility, or other large trader with authority to receive payments of bills, and give that corporation's receipt?

A. So far as I know, it is not.

Q. I call your attention to the language on the stub where it says: "Pay your bills here." It is not possible for any customer of Mr. Derrick to pay any bill at Mr. Derrick's drug store, unless he happens to owe Mr. Derrick a drug store bill, is it?

A. He can pay his bill with a money order, sir.

Q. At Mr. Derrick's drug store, can he pay the bill there?

A. He can purchase the money order there.

Q. And then give the money order to Mr. Derrick, and then the bill is paid?

A. It does not say that, sir.

Q. Never mind what it says. Mr. Derrick does not receive [fol. 94] the money orders in payment of bills of public utilities, does he?

A. So far as I know, he does not.

Q. At least, you have never authorized him to?

A. No.

Q. Now, calling your attention to the insignium at the bottom of this exhibit, "Money transferred, Bondified," and the word immediately to the left of that insignium,

"licensed," does Bondified Systems, the partnership, or does Bondified, Inc., the corporation, hold any license in Illinois under the Illinois Currency Exchange Act?

A. We are——

Q. Just yes or no. If you do, say "Yes"; if you don't, say "No."

A. I don't know.

Q. You don't know?

A. No, sir.

Q. Do you know of any license of any kind that Bondified Systems, the partnership, or Bondified Systems, Incorporated, the corporation, has obtained from the State of Illinois for any purpose?

A. We are a licensed corporation in the State of Illinois, Bondified Systems, Inc.

[fol. 95] Q. You are incorporated?

A. Yes, sir.

Q. You understand that to be a license?

A. Yes, sir.

Q. Now, Bondified Systems, the partnership, does it have any kind of a license in Illinois?

A. We are a registered partnership, yes, sir.

Mr. Wines: Will you read the question?

Judge Schnackenberg: For what purpose?

Mr. Wines: Here is a representation, your Honor——

Judge Schnackenberg: You asked a question, and he answered. So why do you want it read?

Mr. Wines: He said that they were registered. I want to know whether he has any license from the State of Illinois.

Judge Schnackenberg: That is a new question. He answered that question.

Mr. Wines: I thought the answer was not responsive, your Honor. The question was——

Judge Schnackenberg: We will consider it responsive. This is cross examination. Go ahead on that subject if you want to go into it further.

[fol. 96] Mr. Wines: All right.

By Mr. Wines:

Q. Do you have any other license from the State of Illinois for any purpose other than what you refer to as a license—

Judge Schmackenbergl: You mean the partnership?

Mr. Wines: The partnership, yes sir.

By the Witness:

A. So far as I know, no, sir.

By Mr. Wines:

Q. Does the partnership have, so far as you know, any license for any purpose whatsoever, from the United States Government?

A. So far as I know, not directly.

Judge Hoffman: I didn't hear the answer.

The Witness: As far as I know, not directly.

By Mr. Wines:

Q. Does it have any license, so far as you know, for any purpose whatever, from any Governmental agency, or Government, bearing in mind that you have referred to your registration as a partnership which, in your opinion, is a license?

A. Are you asking me a question?

[fol. 97] Q. Yes.

A. Will you restate it?

Q. Yes, certainly.

So far as you know, does the partnership, Bondified Systems, have any license, from any Governmental agency of any kind, for any purpose, except what you have referred to, that you have already referred to as registration?

A. So far as I know, no.

Q. To what does the word "licensed" in the lower margin of this Defendants' Exhibit 1, to the left of the insignium, refer?

A. We are licensed by Checks, Incorporated, sir.

Mr. Wines: Mr. Yowell, was that license agreement introduced?



Mr. Yowell: Oh, yes.

Mr. Wines: You have identified that?

Mr. Yowell: Yes, sir.

Mr. Wines: May I see it, please?

This will facilitate my cross examination, if I leave this for a minute, and look at that during the noon hour.

Mr. Yowell: All right.

By Mr. Wines:

[fol. 98] Q. Now, will you tell us, please—you may have already answered this question, but this is cross examination.

I would like to get again, there are three bank accounts to which you referred, aren't there?

A. There are three bank accounts.

Q. All right. Never mind whether you referred to them.

In what bank is any one of those accounts that you referred to?

A. City National Bank & Trust Company of Chicago.

Q. Now, which account is that?

A. Those three I have just mentioned are all there.

Q. They are all there?

A. Yes.

Q. Now, one of these accounts is the corporation operating account, and that is at the present time \$38.10, or some such sum in it, is that right?

A. If you call it that, an operating account.

Q. Yes.

A. We have \$38.10 in the corporate account, yes.

Q. Then you have \$10,000 in another account; am I right about that?

[fol. 99] A. We have a special account.

Q. And that has \$10,000 in it?

A. There is more in it than that.

Q. Do you know how much there is in it?

A. There is—

Q. There is no use guessing about it. If you have the materials, you can refresh your recollection.

A. There is approximately \$23,000 in it.

Q. Approximately \$23,000?

A. Yes.

Q. Well, would it be a great imposition to get that exact figure during the noon recess?

A. I can give you the exact figure right now as of yesterday.

Q. All right. That is good enough.

A. \$22,827.53.

Q. And in that account, you say by agreement with Checks, Incorporated, that is earmarked for money orders?

A. That is correct.

Q. Now, tell us about the other account. In whose name is it?

A. The operating account?

Q. No, the third account. We have talked about the \$38,10.

[fol. 100] A. We have an operating account in the City National Bank with a deposit agreement with the bank for funds either from the corporation or the partnership can be deposited in that account.

Q. How much is in that account, if you have the figures?

A. The approximate figure, a little over \$4,000 right now.

Q. \$4,000 plus?

A. Yes.

Q. Now then, tell us again, please, just so I get it, you have a \$10,000 bond that you referred to, is that right?

A. I have not referred to it, no, sir.

Q. You do have such a bond?

A. What bond are you referring to, sir?

Q. All right, I will just get at it this way.

A. We have a \$10,000 bond with the bank, if that is what you are referring to.

Q. \$10,000 bond with the bank?

A. Yes, that is to cover—

Q. We will return to Defendants' Exhibit 1 for identification.

[fol. 101] Now, the word at the right of the insignium, at the bottom of that identification, the word "bonded," to what does that word refer?

A. We have this bonded account account with the bank; our employees are bonded, and our agents are bonded.

Q. Now, each agent is bonded for how much?

A. A minimum of a thousand dollars.

Q. Ever any more?

A. We can have more.

Q. Do you have more?

A. Not right now, no, sir.

Q. And the company is bonded for how much?

A. We have a commercial blanket bond of about \$10,000. I believe it is.

Q. \$10,000?

A. Yes.

Q. All right. Now, someone else, you said, was bonded.

A. This account bond in favor of the City National Bank.

Q. This is in addition to the \$10,000?

A. That is correct.

Q. Now, do you have any agreement with Checks, Incorporated, by which Checks, Incorporated, in consideration of your using their name, or materials, or for any other consideration, assume responsibility for money orders issued under what you called your license at that time? Do you understand my question?

A. I am not entirely sure.

Judge Schnackenberg: You may announce a recess until 2:00 o'clock.

(Thereupon a recess was taken in the above-entitled cause, to 2:00 o'clock p.m. of the same day, December 1, 1954.)

[fol. 103] Hearing resumed pursuant to recess.

[fol. 104] The Clerk: No. 53 C 2322, George W. Doud, et al. vs. Orville Hodge, et al., for trial.

Judge Schnackenberg: The witness may take the stand.

Mr. Yowell, have you any more exhibits that you are going to identify?

Mr. Yowell: Just a few, your Honor.

Judge Schnackenberg: I think maybe forty-five minutes could have been saved if you had handed all of the exhibits to Counsel and offering them all in evidence, instead of asking the witness about it.

Mr. Wine: It is all right.

Mr. Yowell: There are very little more.

Donald Quentin McDonald resumed the stand and testified further as follows:

Cross-examination.

By Mr. Wines:

Q. Now, sir, you have, you say, 104 agencies in Indiana?

A. I didn't say.

Q. Do you have 104 agencies in Indiana?

A. We have more than that, sir.

Q. Do you know how many?

A. 120.

Q. And you do \$1,400,000 a year gross business, about, in Indiana, do you?

[fol. 105] A. That is what we did the last year.

Q. Now, the corporation and the partnership have the same offices, do they not?

A. Operate out of the same office.

Q. The partners are all officers of the corporation, are they not?

A. That is correct.

Q. The only name containing the word "Bondified" in the telephone book is Bondified Systems, Inc., is it not?

A. I do not recall, sir.

Q. Now, the corporation, these money orders that are issued in Indiana, those are issued by the corporation, are they not?

A. That is correct.

Q. And the printed signature on them is "Bondified Systems, Inc.," with the agent's name under it?

A. The name is printed on there, yes.

Q. Yes, that is what I say. Now, the checks, the money orders that were issued by Mr. Derrick also, by inadvertence, as you say, bore the name with "Inc.," did they not?

A. The original ones did not. The re-supply for the time did.

[fol. 106] Q. Now, the money orders that have been issued by the partnership, and the money orders that have been issued by the corporation are drawn on the same bank account, are they not?

A. Well, I wouldn't say they were drawn on the same bank; they clear through the same bank account.

Q. Well, they clear through the same Bank account, and are paid out of deposits?

A. That's right.

Q. Now, a single set of books is kept for both the corporation and the partnership, is it not?

A. We have a single set of operating books through the partnership, and we also have a set covering the corporation.

Judge Schnackenberg: Read the answer. You will have to keep your voice up. Read the answer.

(Last answer read.)

Judge Schnackenberg: Well now, are those different sets?

The Witness: They are distinct, sir.

Judge Schnackenberg: Different books?

The Witness: Yes, sir.

By Mr. Wines:

Q. Both the partnership and the corporation have the [fol. 107] same employees and personnel, do they not?

A. The corporation has no employees; Mr. Dond and I are non-salaried with the corporation.

Q. Now, you say that money was taken from the corporation account, and—was the word "syphoned" into the partnership account?

A. Well, I didn't use that, sir, but advances were made by the corporation to the partnership.

Q. And how much do the advances now outstanding total at the present time?

A. I can't recall exactly what the exact figure is.

Q. Well, your best estimate; a minimum and a maximum will do.

A. Oh, about \$15,000 or \$16,000.

Q. That has not been repaid?

A. No, sir.

Q. Mr. Derrick issued money orders serially numbered, did he not, when he was issuing them?

A. The series number is the "D."



Q. "D"?

A. Yes.

Q. And they were from D-101 to D-353?

A. They started with one, sir.

Q. They started with D-1?

A. Yes.

[fol. 108] Q. And ran up to how many?

A. He said, I believe, 357.

Q. 357?

A. Approximately.

Q. Does the corporation have any assets other than those that you have testified about?

A. Well, I don't believe I testified to any.

Q. Does it have any other assets other than these bank accounts?

T. A. The corporation?

Q. Yes.

A. No, sir.

Q. Does the partnership have any assets other than its interest in its bank accounts? I am not speaking of items like stationery and so on.

A. Well, we have our various equipment necessary to operate.

Q. Furniture, stationery, stamps?

A. That's right, equipment, that's right. Stationery and furniture and advertising and so on.

Q. But no investments?

A. No investments.

Q. No holdings of real estate?

A. No, sir.

[fol. 109] Q. Can you give us with respect to each of these accounts the respective interests of the partnership and the corporation?

A. The final accounting, sir, is being made at this time, at the end of our first fiscal year which was the end of October.

Q. And until that accounting is made, you would be unable to give us that information?

A. No, sir.

Q. All right. Now, will you tell the members of the

Court, if you know, what is meant in the money order and currency exchange business by the word "float"?

A. Well, "float," as I understand it, would be that amount of money that is in a bank account, if you are speaking of float in a bank account; that is over and above.

Q. Well, I will withdraw the question, if I may.

Isn't it a fact that the word "float" in the money order and currency exchange business means that amount of money for which money orders have been issued which orders are still outstanding and have not been paid or redeemed?

A. I believe that is correct, sir.

Q. All right.

[fol. 110] Now, tell the Court, if you know, what the approximate average float is of the money orders outstanding by Bondified Systems, Inc.?

A. I can possibly answer that question by saying that we have had an average daily balance of over \$6,000 in the special account since we started.

Q. Well, now, does that represent the float then, \$16,000?

A. We deposited \$10,000 in there ourselves to begin with, which has never been touched, and is still there.

Q. Now, how soon is it after an Indiana agent, on the average, I mean, of course, sells a money order until he remits to you?

A. How many what?

Q. How many days on the average after a money order is sold in Indiana, is it before he remits the money to you?

A. He remits at least once a week.

Q. All right. He doesn't notify you until he remits how many money orders he has issued, does he?

A. No, sir.

Mr. Wines: All right, I think that is all.

Judge Schnackenberg: Is there any further cross examination?  
[fol. 111]

By Mr. Wines:

Q. You said \$6,000 average a float?

A. Well, by deduction I would assume that.

Q. Well, do you that is the approximate—

A. I would say so.

Cross examination.

By Mr. Beatty:

Q. Mr. McDonald, have you issued any Bondified postcard checks or Bondified money order checks in Cook County?

A. No, sir, we have just the one agent in Illinois, Mr. Herrick, sir.

Q. And you have not then issued any postcard checks or money orders directly, is that right?

A. Do you mean by our office in Chicago?

Q. Yes.

A. No, sir.

Q. And the only business that you have done is to establish the office here in Chicago and conduct the office operations in Chicago, Cook County?

A. That's right, we opened our office here in anticipation of being able to operate when we first incorporated.

Mr. Beatty: That is all.

[fol. 142] Judge Schmackenberg: Is there any redirect?

Mr. Yowell: No, your Honor.

Judge Schmackenberg: Step down.

Next witness.

(Witness excused.)

GEORGE WALKER DOUD, called as a witness on behalf of the plaintiffs, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Yowell:

Q. What is your full name, please?

A. George Walker Doud.

Q. Where do you live?

A. I live at 210 West Harrison, Wheaton, Illinois?

Q. Do you own a home in Wheaton?

A. Yes, sir, I do.

Q. Do you know whether the other two plaintiffs own their homes in Wheaton?

A. Yes, both Mr. McDonald and Mr. Carlson own their homes.

Q. How long have you lived in Illinois?

A. I came to Illinois on the 1st of November, 1953. I did [fol. 113] spend three years here previous to that while attending Wheaton College in 1939 to 1942.

Q. Then what did you do?

A. I entered the United States Naval Service.

Q. As an enlisted man?

A. Yes, sir.

Q. Where were you stationed?

A. I was stationed at the Naval Reserve Air Base at Glenview, Illinois, for approximately twenty months, and after that time I went to the Midshipmen's School at Abbott Hall at Northwestern University and in August of 1944 I was transferred to San Diego, where I spent ten months prior to going overseas.

Q. When did you go overseas?

A. It was the 6th, I believe, of June, 1945, and I returned from overseas at the end of December, 1945.

Q. When were you released during that period?

A. I was released to inactive duty the 24th of January.

Q. What rank did you then have?

A. Lieutenant, j.g.

Q. Then what did you do?

A. I moved my family to Minneapolis where we purchased a home and I completed my education at the Uni- [fol. 114] versity of Minnesota the next eight months, graduating in August of 1947.

Q. Then what did you do?

A. I went into the employ of Butler Manufacturing Iron and Steel Products, and as assistant traffic manager in September of 1947, and I stayed with them until April of 1949, and I continued to live in Minneapolis all of this time. Then I went into the employ of Swift & Company as a full line salesman from April, 1949, to April, 1952, and following that time I was sales manager and district representative for the Minnesota and Wisconsin territory for Cincinnati Industry at Cincinnati, Ohio, and I stayed in that capacity until I left Minneapolis in 1953, to come to Chicago to be associated with Bondified.

Q. Was that after you became interested in the Bondified

System with Carlson and McDonald, as they have testified here?

A. Yes, I would say approximately nine months after we started to discuss the possibility of a Bondified operation here.

Q. You became ill, I believe, Mr. Carlson testified sometime in 1953?

A. No, it was the first day of February, 1954, I was [fol. 115] stricken with encephalitis and was away from my work until May 1 of 1954—February 1 of 1954 to May 1, 1954.

Q. What were your duties in the operation of this Bondified business?

A. Salesman, promotion for the most part in the field, appointing agents and servicing them and so forth.

Q. What area have you been engaging in those activities?

A. My principal area was the northwestern four counties of the State of Indiana; which includes Whiting, Gary, Hammond, Michigan City, LaPorte, South Bend and Mishawaka; that area in there.

Q. Are you president of the corporation?

A. Yes, sir, I am.

Q. Do you attend any national conventions of Bondified Operators?

A. Yes, I did attend the national convention annually at Minneapolis where the operators from the various large cities of the United States, where the Bondified operators are located, assemble themselves for a national convention.

Q. Is your partnership, Bondified Systems, represented by any advertising agency?

[fol. 116] A. The national system for the Bondified Systems is represented by an advertising agency.

Mr. Wines: I object to the answer. I don't understand what you meant by the national system.

Judge Schnockenberg: Well, strike the answer. The question calls for an answer of yes or no.

Read the question.

(Last question read.)

Judge Schnackenberg: You may answer that question yes or no.



By the Witness:

A. Well, I would say yes.

By Mr. Yowell:

Q. All right. Now, what is done in the way of advertising by that advertising agency, just briefly?

A. They develop different types of point of sale advertising which is used by us here in our licensed area, such as window streamers, package stuffers, and that type of advertising, as well as developing spot announcements on platters for radio advertising, which are available to us here for that purpose.

Q. Do you know some of the other states in which Bondified Systems operate?

A. Yes, they operate in Massachusetts, New Jersey, Michigan, Minnesota, Indiana, St. Louis, Dallas, Texas area, California.

Q. Do you know whether or not the Bondified is a registered trade name, registered in the U. S. Patent Office?

A. Yes, it is registered in all forty-eight states.

Q. Have you caused to be sold any money orders which do not state on their face "Bondified Service registered in the U. S. Patent Office, licensed,"—in the same sentence?

A. No, sir, we haven't.

Q. Well, I take it then that all of the money orders do have that legend on them plainly, is that it?

A. Yes, on the face of it.

Q. Your corporation obtained a license from the owner of the registered name "Bondified," is that right?

A. That's right, sir.

Q. And then you sub-licensed, in effect, Mr. Derrick is that right?

A. That's right, sir.

Mr. Yowell: Now, if the Court please, we allege that [fol. 118] there is an economic need for this particular activity. It seems to me rather obvious, but there is not a denial of that.

Now, some of my assistants in their enthusiasm have developed a rather elaborate chart on that, but it seems to

me that unless Counsel is going to insist on that I would rather not go into it.

Mr. Wines: Well, your Honors, I don't want to protract the record, but I must call the Court's attention to the fact that among the other provisions in the Currency Exchange Act is one that requires that before a license be granted the Auditor must find that there is a need for it in the particular locality in which it is going to be operated.

I will stipulate that there is an economic need for money orders. Everybody knows that. I cannot stipulate, and I don't know that you are prepared to prove that there is a need for a money order station at each place that they would choose to do business, and that is what is required [fol. 119] for a license.

Judge Schnackenberg: Well, as I understand the State's theory, that even if there is an economic need for such an agency at any place in the State of Illinois, the State officials wouldn't issue a license to this particular applicant anyway; would it?

Mr. Wines: No, I don't say that, not if he would comply with the act. We are not saying he cannot get a license if he will pay a fee and take out the bond which is required by the statute, which is very much higher than the bonds that are had, submit himself to a periodic examination and surveillance of the Auditor, have the lease that is required, have the armored windows that are required—I will undertake to say that except for those who for some reason or another are disqualified, and for some reason or another there isn't anybody in the State of Illinois that can't get a license for a currency exchange if they can comply with the law.

[fol. 120] Now part of that compliance, however, requires that it be found in the particular locality where he intends to open up and operate, that such a currency exchange, yes, that that neighborhood is not already served with exchanges, and that has been upheld.

Mr. Yowell: Well, as I read the statute, nobody in the State of Illinois—nobody, natural person, a corporation, or a partnership, can conduct this business except American Express Company; nobody can appoint as an agent a druggist, a hardware store man or department store man or grocery store man, and this statute makes no exception

whatsoever, except the American Express Company and the Post Office, and I believe perhaps the Western Union.

Mr. Wines: He would have to get a license for every place where he did business.

Mr. Yowell: He couldn't get a license. He couldn't because the statute says that the business of selling money orders, unless you are cashing checks, "shall be conducted in a separate establishment in which no other business is [fol. 121] transacted," as I read the statute.

Mr. Wines: It would have to be a separate establishment, yes.

Mr. Yowell: Yes, no particular business can be established—

Judge Schmackenberg: It doesn't make any difference whether there is an economic need in the licenses or not?

Mr. Wines: That's right.

Judge Schmackenberg: It is really an immaterial issue, it seems to me.

Judge La Buy: That is the way it appears to me.

Mr. Yowell: All right, your Honors.

By Mr. Yowell:

Q. Now, Mr. Doud, do you know whether or not the Student Union at Wheaton College sells money orders?

A. Yes, sir, they sell American Express money orders.

Judge Schmackenberg: What kind?

The Witness: American Express money orders.

By Mr. Yowell:

Q. Do you know how they receive their money orders, [fol. 122] the forms and the material?

A. Yes, sir, by registered mail.

Q. Do you know how they make reports and remittances?

A. They remit once a week with a report, and their check by mail to the Chicago office of the American Express.

Q. And do you know whether or not the Chicago Motor Club officers sell money orders?

A. Yes, I was told by the manager—

Mr. Wines: I object to what he was told.

A. That is furnished to the customer.

Q. Now, Mr. Derrick, when a customer comes in with a light bill, telephone bill, or other public utility bill, do you sell him a money order that he mails in, or do you take care of the matter some other way?

A. Well, that is up to him, what he does with the money order after I sell it. I have no control over that.

Q. Well, do you ever take money from a customer and [fol. 151] not give him the money order, but send the money order in?

A. No.

Q. You sell the money order?

A. He gets the money order.

Q. You have no arrangement with any public utility anywhere, do you, a contract or appointment by which you were authorized to collect for them and give receipts for them?

A. No.

Q. Do your stubs, money order stubs that you used after this form was discontinued, contain the legend "Pay your bills here"?

A. I don't remember of it ever saying that on any of them, to tell you the truth.

Q. You see it now, don't you?

A. I see it now, but don't remember seeing it on any of them.

Q. They do bear the words, to the best of your recollection, "licensed and bonded" at either side of the insignia on the money order?

Mr. Yowell: You mean the ones he is using now?

Mr. Wines: The ones he is using now.

By Mr. Wines:

Q. Are you selling anything now?

[fol. 152] A. I am selling them now if they come in and want them.

Q. All right. Now, on the money orders that you are using now do the words "licensed" or "bonded" appear on either side of the insignia?

A. That I cannot answer.

By Mr. Yowell:

Q. All right, if you know.

Judge Schnackenberg: Just a minute. Sustained, and the entire answer is stricken. I assume it is all based on hearsay.

You may pursue it further, if you wish.

Mr. Yowell: Well, all right.

By Mr. Yowell:

Q. Have you made any effort to obtain any information as to whether or not the Chicago Motor Club officers do sell money orders?

Mr. Wines: I object to what efforts he has made.  
[fol. 123] Judge Schnackenberg: Sustained.

Unless you have some evidence here, you can't go into that.

Mr. Yowell: All right. You may cross examine.

Cross-examination.

By Mr. Wines:

Q. About the advertising of Bondified Systems, Inc., is it a fact, sir, that that advertising is done by an agency for yourselves and other independent corporations, firms or individuals who have licenses to use the name "Bondified"?

A. No, they merely develop the pieces of advertising which we will use in this area.

Q. Oh, I see. Are those pieces of advertising which you would use in this area similar to those used by other licensees; I mean trade name licensees in other parts of the country?

A. That is correct, we collate orders.

Q. So that there is a unified advertising program for all persons who have licenses similar to your own to use from Checks, Inc., to use the name of Bondified?

A. That is right, sir.

Q. In fact, however, you do not assume any financial responsibility for licensees, for example in California or New Jersey, who use the name Bondified?

[fol. 124] A. No, sir, we do not.



Q. Do you have one of those with you?

A. I don't have any with me, no.

Mr. Yowell: Well, there are some in evidence now.

Mr. Wines: But he doesn't have the forms that he is using now.

By Mr. Wines:

Q. I show you Defendants' Exhibit 4 for identification. That is one of your money orders now?

A. That's right.

Q. And Defendants' Exhibit 5 for identification is one of your money orders, isn't it?

A. That's right.

Q. They were issued on or about the date they bear?

A. Yes.

Q. They were issued on or about the dates they bear?

A. To the best of my knowledge.

Judge Schnackenberg: What is that date?

[fol. 153] Mr. Wines: October 19, 1953, for Defendants' Exhibit 4 and February 15, 1954, for Defendants' Exhibit 5.

By Mr. Wines:

Q. Do you, yourself, have any license from the State of Illinois to sell money orders or currency exchange?

A. I don't have a license in the State of Illinois. I do have a license from the Bondified Systems.

Q. You have a license from the Bondified Systems?

A. That's right, I have a license from the Bondified Systems.

Mr. Wines: That is all.

Mr. Yowell: That is all.

Judge Schnackenberg: Is there any further cross examination?

Cross-examination.

By Mr. Beatty:

Q. Mr. Derrick, all of the Bondified money orders that you have sold have been sold in Wheaton, is that right?

Q. Nor do they assume any for your responsibility?

A. They have not.

Q. So the public sees unified advertising of Bondified by proprietors of many independent organizations who are not responsible for each other's debts or liabilities; is that the fact?

A. Yes, sir.

Q. Let me ask you, sir, do you have just one set of books or more than one set for the corporation and the partnership?

A. We have one set of operating books under the partnership, and one set of corporate books for the corporation finances.

Q. Now, you remember testifying, do you not, at the discovery deposition on or about Armistice Day, November 11th, up in Mr. Yowell's office, don't you?

A. Yes, sir, I do.

Q. Were you asked this question:

"Q. You have only one set of books for both the partnership and the corporation?"

Were you asked that question, do you remember?

A. I could have been. I don't remember directly.

Q. Well, did you answer, "I believe that is correct"?

[fol. 125] A. I couldn't say, sir.

Judge Schnackenberg: What is the answer?

The Witness: I don't really remember, I couldn't say.

By Mr. Wines:

Q. Does the corporation and the partnership use the same set of operating books?

A. Yes, sir, they do.

Mr. Wines: All right, I think that is all.

Mr. Yowell: That is all.

Judge Schnackenberg: Is there anything further?

You may step down.

(Witness excused.)

JOHN EDWARD HANNON, called as a witness on behalf of the plaintiffs, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Yowell:

Q. State your full name?

A. John Edward Hannon.

Q. Where do you live, Mr. Hannon?

A. 561 Middlesex, Grosse Point Park, Michigan.

[fol. 126] Q. What is your business?

A. Currency Services of Michigan.

Q. Do those currency services sell Bondified money orders in the State of Michigan and the City of Detroit?

A. Yes, sir.

Q. How long have you been engaged in that business, Bondified money order business?

A. We are in our tenth year of operation.

Q. What are your annual sales?

A. Total dollar volume?

Mr. Wines: I don't see the materiality.

Mr. Yowell: I am trying to qualify him for one that I want to ask him.

Judge Schnackenberg: Overruled.

By the Witness:

A. Total annual dollar volume, about \$40,000,000.

By Mr. Yowell:

Q. That \$40,000,000 is approximately how many money orders per year?

A. Approximately two million.

Q. Do you know how many money orders, approximately, the United States Post Office sells in Detroit, annually?

Judge Schnackenberg: Just answer yes or no.

[fol. 127] By the Witness:

A. Yes.

By Mr. Yowell:

Q. All right, how many?

A. I can give you the exact figures for 1951.

Q. All right, give us the exact figures.

Mr. Wines: Your Honors, I object. I don't think this is — unless he gives the source of the figures, if you actually have them from the Government.

The Witness: I have the Government figures.

Mr. Wines: Well, if that is the Government figures, then I will stipulate.

The Witness: That is a sworn copy.

Judge Schnackenberg: I think the question, related to Detroit, did it?

Mr. Yowell: Yes, your Honor.

Mr. Wines: Well, I object, I don't think it is material what they are.

Judge Schnackenberg: Well, I sustain that unless we find that the areas are identical with the ones he is testifying about.

By Mr. Yowell:

Q. Let me ask this, Mr. Hannon: What is the volume of [fol. 128] Bondified sales in Detroit?

A. In the Detroit area?

Q. Yes, annually.

A. Well, I am talking about Highland Park and generally comparable to the Post Office area. The volume last year was —

Mr. Wines: I object.

Judge Schnackenberg: Sustained. I don't know what the Detroit area means.

By Mr. Yowell:

Q. Well, do you know whether this Post Office is just for the city, within the city limits of Detroit, or whether or not it is for the Lower Peninsula of the State of Michigan or just what it is?

A. In this report for 1951 it refers to the Detroit population of more than 1,800,000, and the Detroit Post Office serves the following municipalities, and there is a list of

about eight of them, right around Detroit, Highland Park, Grosse Point, Hamtramck, and so forth, and the metropolitan area.

Q. Is that approximately the area in which your operations take place?

A. Yes, sir.

Q. Now, tell us how much, according to the Government [fol. 129] report, the sales are, the United States Post Office sales of money orders are in that same area?

A. In 1953?

Mr. Wines: I object. I don't see the materiality.

Judge Schnackenberg: Sustained.

By Mr. Yowell:

Q. To your knowledge and during your experience, has any purchaser of a Bondified money order either in Michigan or elsewhere, sustained any loss?

Mr. Wines: I object.

Judge Schnackenberg: Sustained.

By Mr. Yowell:

Q. Have you heard the testimony of these gentlemen that have testified here about the way they are operating a Bondified System in Indiana, and the way they are beginning to operate and propose to operate in Illinois?

A. Yes, sir.

Q. Is that substantially the way you operated in Detroit?

A. Yes, sir.

Mr. Wines: I don't see the materiality, your Honor. [fol. 130] Judge Schnackenberg: Are you objecting?

Mr. Wines: I object.

Judge Schnackenberg: Overruled. The answer may stand.

By Mr. Yowell:

Q. Do you have with you any of the forms of money orders that you sell?

A. Yes, sir. There (indicating) is one typed.



Q. Does your concern have a license from the State of Michigan?

A. We have a license as a corporation.

Q. But does it have any license to sell money orders?

A. No, sir.

Mr. Wines: I don't think that is material, and I object.

Mr. Yowell: I think it is quite material, if the Court please, because I think the Court will take judicial notice that in Michigan and practically no other state except in Illinois is a license required to sell money orders, and this form is identical exactly with the one sold here and in all of the various states in which there is no such requirement, [fol. 131], and the money order itself, when the Court sees it, the Court will see that there is no misrepresentation.

Judge Schnackenberg: Read the question.

(Question and answer read.)

Judge Schnackenberg: All right, the answer may stand.

Mr. Yowell: Will you mark this as Plaintiffs' Exhibit 29 for identification.

(Document so marked.)

Mr. Yowell: You may cross examine.

Mr. Wines: Are you offering this?

Mr. Yowell: I shall offer it, yes. I will offer all of them. I have not offered any yet.

Judge Schnackenberg: Do you want to cross examine on the document?

Mr. Wines: Not on the document.

Judge Schnackenberg: Is there any objection to these documents being received in evidence?

Mr. Beatty: No.

Mr. Wines: No.

[fol. 132] (Whereupon said document so offered and received in evidence was marked Plaintiffs' Exhibit 29.)

(Cross-examination.)

By Mr. Wines:

Q. Is your system operated under a license to use the trade name "Bondified" with Checks, Inc.?

A. Yes.

Q. And it uses a uniform type of advertising that is developed by that company for its agencies and used throughout the United States?

A. That is correct.

Mr. Wines: I think that is all.

Judge Schnackenberg: Is there anything further?

—Mr. Beatty: That is all.

Mr. Yowell: That is all.

Judge Schnackenberg: Step down.

(Witness excused.)

Mr. Yowell: Mr. Worthey.

[fol. 133] WILLIAM G. WORTHEY, called as a witness on behalf of the plaintiffs, having been first duly sworn, was examined and testified as follows:

Direct examination:

By Mr. Yowell:

Q. State your full name, Mr. Worthey.

A. William G. Worthey.

Q. Where do you live, Mr. Worthey?

A. Springfield, Illinois.

Q. Are you here under a subpoena duces tecum issued by this Court?

A. I am.

Q. What is your business?

A. At the present time I am chief clerk of the Corporation Department in charge of that office in the Secretary of State's office.

Mr. Wines: Is all you want him to do is to identify some records or something?

Mr. Yowell: No, that is not all I want, Counsel.

Mr. Wines: I am sorry.

By Mr. Yowell:

Q. Mr. Worthey, does the Secretary of State's office have any understanding with the office of the Auditor of Public [fol. 134] Accounts that before the Secretary of State will issue a charter or a license to do business in Illinois, the proposed applicant for the charter or the license must first clear or get the approval of the office of the Auditor of Public Accounts?

A. It is not quite that definite, sir.

Mr. Wines: Just a minute.

Judge Schnackenberg: Charter for what?

Mr. Yowell: To operate any corporation.

Mr. Wines: I object to "understanding".

Mr. Yowell: I beg your pardon.

"—a corporation organized to sell money orders."

Judge Schnackenberg: That is not in your question.

Mr. Yowell: I am sorry.

Judge Schnackenberg: It might have been a corporation to run a veterinary hospital.

Mr. Yowell: I am sorry.

Mr. Wines: I still object, your Honor, on the ground that—

Mr. Yowell: Well, let me ask another question.

Judge Schnackenberg: You won on that one.

[fol. 135] By Mr. Yowell:

Q. Is there any working arrangement, let's say, verbal agreement—

Judge Schnackenberg: Is this man called as your own witness?

Mr. Yowell: Yes, your Honor. He was subpoenaed.

Judge Schnackenberg: All right, go ahead.

By Mr. Yowell:

Q. (Continuing:) between the office of Secretary of State and Auditor of Public Accounts, that before applications to incorporate a corporation to operate a currency exchange or to sell money orders, or to obtain a license of a

corporation to operate a currency exchange or merely sell money orders, that a letter of clearance concerning the purposes has to be obtained from the Auditor's office?

A. It is not quite that definite.

Mr. Wines: Just a minute. I object, not to the form of the question which is leading, but on the ground that understandings between the Secretary of State and the Auditor cannot change the substantive law in Illinois, and anyway [fol. 136] a question calling for what an understanding is between two offices calls for a conclusion, if it can even be called a conclusion.

Mr. Yowell: If the Court please, I agree that it couldn't change the law, but it could show a pretty good reason why they didn't operate as a corporation in Illinois and why they had to resort to a partnership in order to operate, and why they were not permitted to operate, to get a license in Illinois.

Mr. Wines: If you want to show they applied for a registration and were refused it, and have the documents, that is it.

Judge Schnackenberg: Are you making any objection to the form of the question? It calls for a conclusion.

Mr. Wines: Yes, I am. I am not objecting that it is leading. If Mr. Yowell can save time by leading, at this point anyway, I don't object. But at this point it calls for a conclusion, which I don't think is an objection in the point of form, but I am making it anyway, and also the other [fol. 137] ground that an understanding between offices cannot change the law. If Mr. Yowell wants to show that these gentlemen sought it and were denied registration as a foreign corporation, or a charter, or whatever he wants to show, and he has the papers, that is another matter.

Judge Schnackenberg: I will sustain the objection. The question is what happened, and not whether it was the result of some understanding by some officials or not.

By Mr. Yowell:

Q. Very well.

Mr. Worthey, do you have any records with you of the office of the Secretary of State with reference to the appli-

cation of Currency Service, subsequently changed to Bondified Systems for a license as a corporation, to sell money orders in the State of Illinois?

A. I do.

Q. May I see it, please?

Mr. Wines: Is this something that we can agree on now?

Mr. Yowell: Well, I want to avoid it. I can, using his [fol. 138] records in evidence here. If you won't object, I will ask him what they did; if they denied him the application, and if they did, I want to know why.

Mr. Wines: Well, I think the records are the best evidence, but you can use photostats afterwards.

By Mr. Yowell:

Q. Now, Mr. Worthey, the license to do business as a corporation in Illinois, in the business of selling money orders was denied, wasn't it?

A. I don't recall what was in the original application, sir, on that. That has been a year and a half ago. Certainly the present certificate does not permit that.

Mr. Wines: Well, the certificate is the best evidence of what it permits or doesn't. I object to that last answer.

Judge Schnackenberg: Well, that wouldn't jeopardize your side of this case, would it?

Mr. Wines: No.

Judge Schnackenberg: You don't contend that the certificate did give them that authority, do you?

Mr. Wines: No.

[fol. 139] Judge Schnackenberg: Do you want a ruling?

Mr. Wines: No, I will withdraw it.

Judge Schnackenberg: Has the witness here the application that you are referring to?

Mr. Yowell: I think he has, your Honor.

The Witness: I don't have that original application when it was returned. I do not have that, sir.

Mr. Yowell: Well, if the Court please, in the record the first two exhibits offered were also from the Secretary of State saying that they would not do it unless they did this. That is in the record. And I want to know why. It occurs,



well, why can't you apply for a license to the Auditor, unless you want to be a corporate entity, and why does the Secretary of State take that position?

Judge Schnackenberg: Did he write the letter?

Mr. Yowell: No, but I am trying to develop what he can tell us as to what is the basis of it.

[fol. 140] Judge Schnackenberg: Well, if he didn't write the letter, how can he tell you what the letter meant?

Mr. Yowell: I think he can tell us what the practice is in the office. I would like to develop that.

By Mr. Yowell:

Q. Do you know, Mr. Worthey, what the usual, customary procedure and practice is in the office of the Secretary of State with respect to granting licenses to act as a corporation for the purpose of selling money orders, and without getting first an authorization from the Auditor?

Mr. Wines: I object on the ground that—

Judge Schnackenberg: You mean at the time in question here?

Mr. Yowell: Yes, sir.

Judge Schnackenberg: What year was that?

Mr. Yowell: In September and October of 1953.

Judge Schnackenberg: Just a minute.

Mr. Wines: I am objecting to it on the ground that it is not material. It appears what was done, and the law is [fol. 141] what the law is, and the facts are what the facts are.

Judge Schnackenberg: No; what did this man say his title was?

The Witness: Chief clerk of the Corporation Department of the Secretary of State's Office.

Judge Schnackenberg: You have been there a long time?

The Witness: I have been there since 1941 with the exception of four months in the latter part of 1944.

Judge Schnackenberg: Well, I will overrule the objection.

By Mr. Yowell:

Q. By "license" you mean license to transact business?

Judge Schnackenberg: Do you know? Answer yes or no.

By the Witness:

A. I wanted to clarify the question, if I may.

Judge Schnackenberg: Have you got the question now?

The Witness: There is one other thing there. He said [fol. 142] "money orders." We usually have currency exchanges or business conducted by currency exchange, if that would make any material difference in his question.

By Mr. Yowell:

Q. That includes selling money orders, does it?

A. Yes, sir, I am aware of the policy down there.

Q. All right. State what that policy is.

A. While I was absent in 1944—

Judge Schnackenberg: No, you say you know what the policy is. Now, state it.

By the Witness:

A. (Continuing) —the policy at the time that I returned to the Secretary of State's office early in 1945 was that before we would issue any certificate of authority for a foreign corporation to sell currency—to conduct a currency exchange, or to organize a corporation to conduct a currency exchange, we should get a clearance from the State Auditor by way of a letter.

By Mr. Yowell:

Q. Does that policy extend to other corporations such as a brokerage house or real estate concern that would have to have a license before it could operate?

[fol. 143] A. No, sir.

Mr. Wines: I object. I don't see how that is material.

Judge Schnackenberg: Overruled. The answer may stand.

By Mr. Yowell:

Q. Have you examined the records of the office of the Secretary of State to determine whether or not the American Express Company is licensed to do business in the State of Illinois?

A. I examined the records yesterday when I was telephoned concerning this, and again this morning before I left, and there is no such corporation bearing the name "American Express Company" as distinguished from "American Express Co., Inc., of Illinois" in this state.

Q. I show you Plaintiffs' Exhibit 26 for identification. That is the one you mean, is it?

A. That's right.

Q. That is incorporated just to carry on an express business and ship packages, isn't it, in order to capitalize—

A. I have not examined the—

Q. —for \$1,000 capitalization?

[fol. 144] Judge Schnackenberg: Doesn't the document speak for itself?

Mr. Yowell: Yes, it does, your Honor. I just wanted to—

Judge Schnackenberg: All right.

Mr. Wines: I am going to object to this on the ground, your Honor, that American Express Co., Inc., is not the American Express Company that is mentioned in the Act.

Judge Schnackenberg: Well, he is trying to show that.

In other words, this witness didn't find the American Express Company as mentioned in these pleadings as having gotten a license from the Secretary of State of Illinois? That is another thing that I think you could have agreed and stipulated upon without taking ten minutes to prove it.

By Mr. Yowell:

Q. And did you examine the records of the Secretary of State to prove if at any time there was a corporation in Illinois, American Express Company?

[fol. 145] A: Yes, sir.

Q. What did you find?

A. I found that there was one organized years ago under that name.

Q. Under a special act of the legislature?

A. That's right, sir.

Q. When was that?

A. The document states that it was approved by the Governor on February 12, 1859, sir.

Q. Do you have any records with reference to the cancellation of that charter, or a certificate of cancellation for failure to file the annual reports as required by the Act approved May 10, 1901?

A. Yes, sir.

Q. Is that a fact that there was such a certification?

A. The record so states that Mr. Rose, Secretary of State, cancelled the charter on the 1st day of July, 1902, for failure to file the report as required by the 1901 Act.

Mr. Yowell: You may cross examine.

Mr. Wines: There is no cross examination, your Honors.

Mr. Yowell: One other thing that Counsel called my [fol. 146] attention to:

By Mr. Yowell:

Q. You said when you got back in 1945 you found that policy there. Has that continued on down to this time?

A. That's right.

Mr. Yowell: That is all.

Judge Schnackenberg: Is there anything more?

Mr. Yowell: That is all of that witness.

Judge Schnackenberg: All right, step down.

(Witness excused.)

Mr. Yowell: Mr. Derrick, please.

EUGENE SAMUEL DERRICK, called as a witness on behalf of the plaintiffs, having been first duly sworn, was examined and testified as follows:

Direct examination:

By Mr. Yowell:

Q. State your full name, please?

A. Eugene Samuel Derrick.

Q. Where do you live, Mr. Derrick?

[fol. 147] A. I reside at 317 East Lincoln, Wheaton, Illinois.

Q. Are you the Derrick that is a plaintiff in this case?

A. I am.

Q. What is your business?

A. I am a druggist.

Q. How long have you been a druggist?

A. Oh, for about 34 or 35 years, something like that.

Q. Have you ever sold money orders in your drug store?

A. I have.

Q. When did you first sell money orders in your drug store?

A. About, as near as I can recall, 1948 and 1949.

Q. What money orders were those, Mr. Derrick?

A. Those were the American Express.

Q. Did you in the latter part of 1953 secure a sub-license or agency from Bondified, the Bondified people, a partnership of McDonald, Carlson and Doud?

A. I did.

Q. To conduct or sell such money orders?

A. I did.

Q. Was that to sell Bondified money orders?

A. Bondified money orders.

[fol. 148] Q. And did they furnish you with the forms of money orders and other forms?

A. They did.

Q. And did you sell them?

A. I did.

Q. Did you write a letter, of which Plaintiffs' Exhibit 23, for identification purports to be a carbon copy, dated in August, 1953, to Orville E. Hodge, State Auditor?

A. Yes.

Q. Is that a copy of the letter you wrote?

A. That is a copy of the letter I wrote.

Q. Did you receive the return receipt?

A. I did.

Q. Is it attached to Plaintiffs' Exhibit 23 for identification?

A. It is.

Q. Did you have a reply from the Auditor of Public Accounts for the State of Illinois?

A. I received no response, no reply, or nothing; no communication whatsoever.

Q. Did you proceed to sell Bondified money orders?

A. I did.



Q. How long did that continue?

[fol. 149] A. Well, it continued for, I would say, approximately ten months or so until there was an error of some sort made on the forms by the printer, stating that it was "Bondified, Inc.," instead of "Bondified Systems," and when that occurred the company picked up the orders because there was an error by the printer in making new forms.

Q. Did they later supply you with corrected forms?

A. They supplied me with the corrected forms.

Q. And are you now in the business of selling those?

A. I am.

Mr. Yowell: You may cross-examine.

Cross-examination.

By Mr. Wines:

Q. What was the date when you discontinued using the money orders with the "Inc." on them, approximately, if you remember?

A. What?

Q. The date approximately, when did you cease to use the money order with the words or letters "Inc." on it?

A. It has been approximately two months ago. I couldn't be positive of the exact date.

Q. Mr. Derrick, Defendants' Exhibit 1 for identification [fol. 150] is a photostat of one of the money orders that you sold, isn't it?

A. It seems to be. That is my signature, yes, sir.

Q. Well, is that the form that you used until you discontinued using "Inc." on the money order?

A. State your question again, sir.

Q. Yes, sir. This is the form of money order that you regularly used until you discontinued using the form with the letters "Inc." in it, is it not?

A. That's right.

Q. And the form you used after that is the same as this, except that there is no "Inc."?

A. To the best of my recollection. I couldn't be positive without comparison.

Q. Is this stub furnished to the customer?

not have passed the law. I say that in response to suggestions made here in the briefs by the Attorney General, that even if the court finds this thing invalid, [fol. 185] therefore after all you can break it up in part and therefore you can't join them.

Judge Schnackenberg: Well, suppose we held the exemption void? Aren't we bound by the construction and interpretation placed upon the matter by the Illinois Court? the legislature would not have passed that bill with the exemption?

Mr. Yowell: I think you definitely are, your Honor. In other words, the law would not have been passed without the exemption, so therefore you can't say that while one part of that one section was knocked out and the rest of it is good, it is good both against the plaintiffs and the American Express.

Judge Schnackenberg: You want us to hold the exemption void, and therefore the next step would be therefore hold all of these void.

Mr. Yowell: All I am asking is that the Court enjoin enforcement of this law against these plaintiffs because the law violates the 14th Amendment as to them.

Judge Schnackenberg: The whole law?

Mr. Yowell: The whole law, and I think the Supreme Court of Illinois has tied the whole law into it.

[fol. 186] Now, when the Court says here,

"It is to be observed, that the plaintiffs in this case—"

that is, the McDougall case, they are distinguished now—

"—were engaged in the business of cashing checks, drafts and money orders; that is, the business ordinarily carried on by a complete currency exchange, whereas the plaintiff—"

Judge Schnackenberg: What are you reading from now?

Mr. Yowell: I am reading from Judge Lindley's opinion and he is distinguishing the Supreme Court case, because

A: That's right.

Q. You sold none of them in Cook County, Illinois?

A. No, unless they were people from Cook County who bought them, but they were actually sold in Wheaton.

[fol. 154]. Q. That is what I understand.

A. That is all. That is DuPage County.

Mr. Beatty: That is all.

Mr. Yowell: That is all. (Witness excused.)

#### COLLOQUY BETWEEN COURT AND COUNSEL

Mr. Wines: Do you have any copies of the money orders he is selling now?

Mr. Yowell: No—the ones he is selling now, I am not sure. We do not have them here, but they can be made available as far as I am concerned.

Mr. Wines: If they are the same form as this, without the "Inc."—

Mr. Yowell: They are the same without the "Inc."

Judge Schnackenberg: Does the stub say "Pay bills here"?

Mr. Yowell: I suppose. I didn't know about that until today.

I would like to call Mr. Hannon to find out that it is on there.

Judge Schnackenberg: Well, you don't know that it is on there. This witness doesn't know. He said he never saw it at all.

Mr. Wines: They are not on Exhibits 4 and 5, because [fol. 155] we don't have the stubs on the exhibits.

Judge Schnackenberg: Which is not in evidence.

Mr. Yowell: If I can call Mr. Hannon for about three questions.

Judge Schnackenberg: Mr. Hannon was the man from Michigan?

Mr. Yowell: Yes, sir.

Judge Schnackenberg: Is there any objection to his coming back?

Mr. Wines: Not to anybody who knows. I want to know if "Pay your bills here" is on those stubs.

Judge Schnackenberg: How would the man from Michigan know?

says: "Well, we are talking about a complete currency exchange, and we have not got that here."

"This seems to us to be a significant distinction,"

Judge Lindley says.

"If plaintiff corporation were operating an ordinary currency exchange, as described in the first half of the first sentence of Section 218.05, or if it were selling money orders in conjunction with the operation of such a business, it probably could not complain of the [fol. 187] exemption of American Express, for then it might well be argued that there would then be substantial differences between the two which might justify the latter's exemption from the class of which plaintiff would be a member. It is the inclusion in the definition of the term 'community currency exchange' of one who though not engaged in the check-cashing business, is ordinarily designated by that term, is engaged in the business of selling or issuing money orders, coupled with the exemption of a company engaged in that very business, which it seems to us, renders the statute discriminatory and unconstitutional as applied to the plaintiff corporation or to any person or firm engaged in the business of selling or issuing money orders but not in the ordinary business of a currency exchange."

And the Court said:

"An injunction shall issue restraining defendants from enforcing against plaintiffs, Section 218.05, Wis. [fol. 188]consin Statutes, for such time as plaintiffs engage in the business of selling or issuing money order and refrain from engaging in other business activities controlled by the statute."

That was in April, 1950. Judge Lindley, Judge Patrick Stone, and Judge Robert E. Tehan.

Now, I submit, if the Court please, that that decision is absolutely controlling in this case, and I don't think there is any need of arguing further. There are many minor things here, but I think it would be wasting the Court's time to go into them.

Mr. Yowell: He wouldn't know if they were on the specific stubs, your Honor, but he can explain if they are on there, he would know why.

Mr. Wines: I don't want any explanation. I want to know.

Judge Schnackenberg: We don't have to have a witness [fol. 156] tell us what the words "Pay bills here" mean. The question is, is that language on the stubs that are now being used by your client?

Mr. Yowell: I think so, your Honor. I cannot swear to it. I assume so.

Judge Schnackenberg: We can't find anybody who will swear to it here.

Mr. Wines: Will you stipulate that it is so for the purpose of the record, Mr. Yowell?

Mr. Yowell: Will you stipulate for the purposes of this case only, and without binding your clients in any other litigation, that on the stubs sold by Bondified Systems, sold by Mr. Derrick at Wheaton, Illinois, presently in use, appears the legend "Pay your bills here" on the stub?

Mr. Yowell: I will so stipulate.

All right. May I call Mr. Hannon now?

Judge Schnackenberg: For what?

Mr. Yowell: To explain, if the Court please, that it is a regular part of the money order business engaged in by American Express Company and by Bondified Systems [fol. 157] nationally to have special agreements with the utility companies which enable them as the agent of the utility companies to collect bills from the neighboring people. It is a similar sort of service to the money order business.

Judge Schnackenberg: Well, Derrick says he does not have that sort of business.

Mr. Yowell: He does not have that. So if anybody came in and said they wanted to pay a bill, obviously he would say that is on the regular or national form, but I don't have any arrangement like that. He couldn't take money for it, but when they get going and get into a volume of business, if they wish to engage in it, which they do every other place, they will do it. Now, perhaps on these forms they ought to cut that off because it doesn't mean anything. Nobody



could pay any bills in Derrick's case because he doesn't have any contract with these utilities.

Judge Schnackenberg: Well, we don't think that it is material.

[fol. 158] Mr. Yowell: All right.

Judge Schnackenberg: The stipulation stands though?

Mr. Yowell: Yes.

#### OFFERS IN EVIDENCE

Now, if the Court please, I would like to have considered in evidence, as though we had read it, the cross examination of Mr. Smith, the executive vice-president of the American Express Company, in a deposition taken in New York City on November 16, 1954.

Judge Schnackenberg: What date?

Mr. Yowell: November 16, 1954.

Judge Schnackenberg: Cross examination by you?

Mr. Yowell: Yes, your Honor.

Judge Schnackenberg: Are the pages numbered, the parts you want?

Mr. Yowell: Yes, they are.

Judge Schnackenberg: What are the pages?

Mr. Yowell: Beginning on page 47, and continuing to and including the top of page 91, and beginning again about the middle of page 92 and continuing through page 94.

[fol. 159] Judge Schnackenberg: Do you offer that in evidence?

Mr. Yowell: Yes, your Honor.

Judge Schnackenberg: Is there any objection?

Mr. Wines: There is no objection to that stipulation going in as though it were read.

Judge Schnackenberg: It is not a stipulation. It is part of a deposition.

Mr. Wines: Part of a deposition.

It is my understanding from our colloquy in chambers this morning, that if we should want to rely on any particular objection we could do so in argument in our briefs, to save going through it. I don't think that they are important.

Judge Schnackenberg: Well, if you have any objection as

to the competency or the method of introducing this evidence, you better make it now.

Mr. Wines: Oh, no, no, I am making no objection. And nearly all of it is material. There are a few specific objections to specific questions in it that we might want to refer [fol. 160] to in argument or in the briefs, but there is no doubt that this deposition was taken, and that everything which was not objected to, which is nearly all of it, may be considered.

Judge Schnackenberg: Well, have you any objection?

Mr. Beatty: No, I join with Mr. Wines.

Judge Schnackenberg: All right, the proffered evidence is admitted.

Mr. Yowell: The plaintiffs rest.

Mr. Beatty: May I suggest before the plaintiffs rest that there is a question as to what exhibits have been offered?

Judge Schnackenberg: They have not offered anything except this one.

Mr. Beatty: The only exhibit as I recall is—

Judge Schnackenberg: That is all.

Mr. Yowell: If your Honor please, I thought that you asked if all of the exhibits—I of course offered all of the exhibits that have been identified before I rested. I don't mean to rest without offering those exhibits.

[fol. 161] Judge Schnackenberg: I wouldn't think you would, but you did.

Mr. Yowell: Well, I am sorry.

Judge Schnackenberg: Any objection to those?

Mr. Beatty: Well, your Honor, I think for the purpose of the record being clear that those exhibits ought to be identified. Mr. Yowell indicated that he had skipped or was withdrawing certain items.

Judge Schnackenberg: Well, he is offering those that have been identified by number or referred to in this evidence today.

Isn't that right?

Mr. Yowell: That's right, those that were not admitted were not offered.

Mr. Wines: There is no objection to those.

Judge Schnackenberg: All of the exhibits of plaintiffs referred to by number, as well as this part of the deposition

tional cases, that one complaining of a violation of the Federal constitution must first exhaust his remedies in the State Court unless there is something of exceptional oppression about the State Court proceedings that requires him to come into the Federal Court and say that he cannot get justice in the State Court. Otherwise the rule is clear.

Judge Schnackenberg: There is a rule. There is a rule. Now, what about it in this case?

Mr. Soble: The rule is clear that if the plaintiff has an adequate remedy in the State Courts he must seek that adequate remedy there because the State Courts have the right to pass upon the Federal constitution. It should go to the Supreme Court of Illinois, and then from the Supreme Court of Illinois, after the Supreme Court of Illinois has interpreted this Act in its application to the plaintiffs here, because forsooth if they should decide against us in this case, there is nothing to go to the Supreme Court of the [fol. 191] United States, but if they decide in our favor, then Counsel for the plaintiffs has the right by certiorari to go to the Supreme Court of the United States.

Now, that rule has been laid down in a multitude of cases.

Number two, in the McDougall case the Court squarely passed upon the proposition that the Western Express Company exemption was good law and it was constitution.

Now Judge Lindley, in his opinion, doesn't deny the validity of the McDougall decision, but he says that that was a case where action was brought by community currency exchanges within the language of the Statute, but he says in this particular case, the 90 Fed. Supp., that case was brought by persons solely in the business of cashing money orders which is one of the two principal functions laid down in the Illinois Statute. In other words, the Illinois Statute, if you engage in the business of cashing money orders, of selling money orders under your own name or under other names other than those exempted here, or if you cash checks, or if you do both, you are then engaged in the community currency exchange business. [fol. 192] Judge Schnackenberg: Well, in the case before us the plaintiffs were not cashing money orders. Derrick was not cashing any, was he?

Mr. Soble: No, but the statute says if you cash checks or sell money orders under your own name or under names

are admitted into evidence and may be marked accordingly.

Mr. Yowell: Now the plaintiffs rest.

[fol. 162] Mr. Beatty: If your Honors please, on behalf of the defendant John Gutknecht, State's Attorney, I move to dismiss the defendant for there is no showing that there is business in the sale of money orders that have been made in Cook County.

Judge Schnackenberg: Well, that motion is denied.

You may proceed with the defense.

Mr. Wines: Your Honors, we will have no witnesses to call. Our defense will consist of offering Defendants' Exhibits 1 through 6 inclusive, and Defendants' Exhibit 7.

Defendants' Exhibit 7 is an official statement by the Auditor that both sides want in.

Judge Schnackenberg: Any objection?

Mr. Yowell: No objection.

Judge Schnackenberg: It may all be admitted.

(Whereupon said documents so offered and received in evidence were marked Defendants' Exhibits 1 to 7, both inclusive.)

Mr. Wines: And I offer the deposition taken in New York pursuant to stipulation on November 16, 1954.

Judge Schnackenberg: The entire deposition?

Mr. Wines: All of the deposition, yes. He has already [fol. 163] offered the cross examination of one, and I won't offer that.

Judge Schnackenberg: Then you offer the entire deposition now of that date except the part already admitted on behalf of the plaintiffs?

Mr. Wines: Yes.

Judge Schnackenberg: Any objection?

Mr. Yowell: Our position is that this is entirely irrelevant because the only thing it tends to prove is how big the American Express Company is, but that is part of the theory in the case up in Wisconsin, they stipulated the same thing, so while I don't want to waive my argument, I have no objection to the Court considering this entire deposition.

Judge Schnackenberg: It may be admitted.

Do both sides rest?

Mr. Yowell: Yes, your Honor.



Mr. Wines: ~~Is~~ Defendants' Exhibit 1, which I have been referring to, it appears on page 9 of the printed answer. Is there anything gained by my detaching a copy and putting it with the other exhibits?

Judge Schnackenberg: There is nothing lost by it if you use your copy. It is your property.

Mr. Wines: All right.

[fol. 164] Judge Schnackenberg: Subject to that, do both sides rest?

Mr. Wines: Yes, your Honor.

Mr. Yowell: Yes, your Honor.

Mr. Beatty: Yes.

#### COLLOQUY.

Judge Schnackenberg: Mr. Yowell, do you want to argue this briefly at this time? We have your written briefs which pertain to the motion to dismiss, and the material thereof is still probably very cogent now that the evidence is in.

On the other hand, if there is something that is not in the written briefs, you may refer to it now. It may be, I don't know, but it may be that the Court may ask you to incorporate that in supplements to the briefs.

Mr. Yowell: There are a few things, if your Honors please, which I would like to mention in a very brief fashion at this time, if it is agreeable to the Court.

Judge Schnackenberg: I have a question I would like to ask Mr. Wines and his associates from the State's Attorney's office. It is a little bit out of order in the way of taking things up ad seriatim, chronologically, but it may point to some thought that is in the Court's mind which would cause you in your oral argument to direct your [fol. 165] argument to what you think the Court may be thinking about among other things.

Here is a question that I would like you to listen to very carefully, if you will: Suppose a state legislature enacts a statute providing for state inspection of all weighing scales used in retail food shops, to be evidenced by an adhesive stamp affixed by the inspector to each scale, and providing that the owner should pay a fee for inspection, and keep the stamp affixed for public exhibition, and use no un-



stamped scale in his shop, and also providing penalties for violating the statute; and further providing that the statute should not apply to the Great Atlantic & Pacific Tea Company shops and the scales therein. If an owner of four or five retail food shops challenged the constitutionality of the statute as violative of the Federal Constitution's due process and equal protection of the law provisions, should a Court sustain that challenge?

Mr. Wines: Is your Honor asking us to bear that in mind when it comes our turn to argue, or come to it now?

Judge Schnackenberg: Well, I don't know. I think perhaps Mr. Yowell has a right to proceed with his argument [fol. 166] now. If he wants to waive it, we will hear what you say about this; it is up to Mr. Yowell.

Mr. Yowell: I am perfectly willing to waive it at this stage.

Judge Schnackenberg: Maybe it is not fair to read that question without giving you a chance to think about it prior to your answer, but if you think you can answer and distinguish that case from this, and say that in both cases the Act would be constitutional I would like to hear from you.

#### ARGUMENT OF MR. WINES

Mr. Wines: I can't say, your Honors, that the import of the question takes me by surprise. That is the issue in this case. I didn't anticipate that the analogy would be weighing scales. It might have been any one of a number of others, but I can't truthfully say that that is a question that has taken me by surprise or that I am not ready to come to now, without repeating at any length the considerations developed in my brief.

I would say, in answer to that question, that realistically appraised, it is almost certain that there could be no factual showing such as we have made by the depositions to which I will come to in the course of my argument in respect to American Express Company, that the Great Atlantic & [fol. 167] Pacific Tea Company is so preeminently different, not just from these five, these four or five local chains, that you have spoken of, but from National Tea, Kroger, and all the others that would justify any such discrimination.

In the course of my argument, which I am willing to make

now, or abide Mr. Yowell's argument, I shall show to your Honors, I am sure, as a matter of fact, that the American Express Company is so far unique, so far different from all other purveyors of money orders, excepting, of course, the United States Government, which it would be a little difficult for us to license and regulate, that it is as though—let me start over again:

I think the real test is this, your Honors: If a definition could be framed so that any organization that could come under, in point of fact, would come under it in point of exempting law, and if, in point of fact, that definition would fit only the American Express Company, and if that exemption would be constitutional, then it is our position that it doesn't make any difference whether it is done by the formula of a definition that anybody who complied with in point of fact, would be entitled to the benefit in point of [fol. 168] law, or whether they just single out and name American Express Company, so long as there is no other such organization.

Now, your Honors will remember that in *Stewart vs. Brady*, a very important case in our briefs, where securities sold on the New York Stock Exchange, by name the Chicago Stock Exchange, the Chicago Board of Trade, and a number of other exchanges, are exempt from the law. It was argued that you have no right to single out a single enterprise, no matter how prominent, by name, and the constitutionality of that statute was upheld.

The test is not one of form. If there were another company as clearly of the kind of American Express Company, which was not exempted, that would be something entirely different.

Now, to come back specifically to the hypothetical case put by your Honor, Judge Schnackenberg. I would say that if there were only one grocery chain & such world wide establishment, that exempting that chain might very well be constitutional. But I don't think that is the situation in the grocery store business, so just to answer your question yes or no, I would say to the question that your Honor puts, [fol. 169] the Act would be unconstitutional, but that it is distinguishing.

Do you want me to go ahead with my argument on the

constitutionality at this point, and go into the facts of this deposition?

Judge Schnackenberg: No, I think not, because for the time being you have given your answer to my question, and in fairness to orderly procedure here, I think Mr. Yowell has a right to proceed. He has the laboring oar.

#### ARGUMENT OF MR. YOWELL

Mr. Yowell: May it please the Court, I am relying very largely on the opinion in the case of Currency Services, Incorporated, a Wisconsin corporation, and Charles J. Lassa, plaintiffs, vs. George M. Matthews, a three-judge case, an opinion by Judge Lindley. I have the citation here.

Judge Hoffman: We have it. It is 90 Fed. Supp.

Mr. Yowell: That's right.

In that case there was a stipulation of facts which I have here, which is quite comprehensive as to the enormous size and uniqueness of the American Express Company. And the Court in that case made findings of fact and conclusions of law which is quite elaborate. Well, I don't know, that is not elaborate, but it, too, finds the American Express Company [fol. 170] pany is a very large concern, and in the Court's opinion, the Court said that the defendants assert that American Express, operating on a world-wide basis, and with a universal reputation for financial solidity and responsibility, is unique in its organization and mode of operation. In other words, there is nobody else like it. It is unique. In the first question that I asked Mr. Smith on cross-examination, I incorporated that language of Judge Lindley.

I said, "Mr. Smith, if one had to summarize your testimony here this morning, in just a very short sentence, would it be fair to say that the American Express, operating on a world-wide basis, and with a universal reputation for financial solidity and responsibility, is unique in its organization and mode of operation?" And he answered, "I think so."

I said, "What you have testified thoroughly supports that statement, don't you think?"

A. Yes.

Now, I would like to call the Court's attention to another

case, not that it has any great weight perhaps with this Court, the Supreme Court of Missouri, sitting en banc, but because of the reasoning in this case.

[fol. 171] Another group of men, individuals, down in St. Louis, organized a corporation, and they undertook to sell these Bondified money orders, and the Attorney General of Missouri brought a quo rata proceeding because the banking laws of Missouri said that nobody can conduct a bank or sell money orders except the banks, provided that express companies having contracts with the railroads are not subject to the law and they can sell them. It didn't mention American Express by name.

One of the first things that I developed in Mr. Smith's testimony here was that the American Express is not an express company. It is not in the express business. In order to qualify, to come within certain laws, he admitted that they had some contracts with some little railroads some place in New York,—one of those things, I can't pronounce it and neither could he—*Skamatchles* or *Skamadales*, or something like that—railroad, and he laughed; it is one of those things in a company; it is a kind of a thing that they know about, but they didn't know much about it. He didn't know who the railroad was that they had the contract with. [fol. 172] They don't actually operate an express business.

Now, the Supreme Court of Missouri got that case, and there was quite a trial, and they had all of these forms in evidence, and their method of operation, et cetera, and the Court got around to this banking statute, and I would just like to read very briefly here.

The Court says, in referring to the Missouri statute:

"The proviso which exempts express, steamship and telegraph companies from the prohibition against the natural persons, firms or corporations or partnerships transmitting money and so on offends against Section 22 of Article 4 of the Constitution by granting to such companies a special privilege from which all other natural persons are excluded. The privilege of engaging in any lawful business is the right of every individual of which no one can be deprived except by a general law acting equally on all individuals in the same situation. It is subject to the police power and

[fol. 173] must be exercised in accordance with the requirements of statutes passed in the exercise of that power for the protection of the public. No person or class of persons can be excluded from that privilege while others are permitted to enjoy it unless some reason exists for the distinction having a just relation to the object to be accomplished. No reasonable distinction exists for this proviso. It declares in effect that incorporated banks and express, steamship and telegraph companies whether incorporated or not may engage in the business of transmitting money, but no other natural person, firm or partnership may. So far as incorporated banks are concerned, the reason for the distinction is apparent. As between natural persons and partnerships on the one hand, and express, steamship and telegraph companies on the other, the distinction is not based on any just reason. It has no reference to character, solvency, financial responsibility, [fol. 174] security, business or monetary facilities, incorporation, method of doing business, public inspection, supervision or report, or any other thing having any relationship to protection of the public from loss by reason of the dishonesty, incompetence, ignorance, or full responsibility of persons engaging in that business."

Now in this case, in the argument, and also in the opinion, Judge Lindley said,

"But this Act applies to individuals, druggists and grocery stores and also grocery stores operating, he can sell money orders, but he can only sell American Express money orders. He is the same man."

We had the same man. We had the same man, Mr. Derrick, who did sell American Express money orders. He didn't have to pay this license fee, or do any of those things, but he could operate. But the law says that he cannot sell any order except the American Express money order in his [fol. 175] store. He is just as solvent and responsible as he was when he sold American Express money orders.

Furthermore, I developed from Mr. Smith, the American Express Company does not require a bond of its agents.



I also developed with Mr. Smith—and this is illustrative of the point I am making—"The American Express Company," I said, "are they licensed in Illinois?" And he said, "I presume so."

I said, "Mr. Smith, I don't want your presumptions. We are here in the office of the American Express Company. You are surrounded by your vice-presidents and your assistants, and you have the records. Now, will you tell me whether you are or not?"

And after lunch he came back and he said, "Well, I have not been able to find a record which shows we are," and the senior vice-president was over shaking his head, and I said, "Isn't the answer No?" And he said, "Yes, the answer is no."

I developed from him that they are not in the express business. In 1945 they incorporated a company for \$1,000 in this state to engage in shipping packages. He admitted that they never shipped any packages, and that the company is not in business, it is not doing anything, and yet they have two and a half million dollars on deposit at this particular time, right here in Chicago, and he named nine banks in that deposition where they have all of this money on deposit, and he told all about the tremendous business that they do—not just money order business. It developed that it is a very small part of the business. They are in the travel agency business, and they are in the business of paying these utility bills. That is one of the big sources of income. They are in the travelers' check business. They are in the foreign exchange business, and they own corporations that are engaged in the merchandising business. It is a labyrinth of things. He said in countries where they have to be incorporated to do business, then they have corporations.

Judge Schnackenberg: Does the record show as to whether they own any real estate in Illinois?

Mr. Yowell: No, I am sure there is not any. I won't say that. It does not show that they own any in Illinois. It shows that they own real estate in New York.

Judge Schnackenberg: Well, do they maintain an office in Illinois or in Chicago?

[fol. 177] Mr. Yowell: They maintain an office right here.

in Chicago. I don't want to take up the Court's time. I asked Mr. Smith if there isn't a pending case in the Superior Court of Cook County against this corporation which incorporated here for \$1,000 named as the defendant, and in which there was not any service, and they couldn't get service on them, although they have a big office, two offices here in the Loop, and he said that the man who is named as the service agent is assistant vice-president of the American Express Company.

I am not saying that to detract from the fact that the American Express Company is a large, solvent, great organization, world-wide. There is no question about that. But I am saying that to illustrate that mere bigness doesn't mean necessarily that a citizen of Illinois is protected. They don't sell any money orders over a hundred dollars.

I asked him this, which I thought was significant: I said, "Mr. Smith, if a citizen of Illinois buys one of your money orders or a number of them, a number of citizens buy money orders from an agent, and the agent runs off with the money"—and he admitted that that sometimes happens—"and those money orders are presented to you for payment, [fol. 178] and you get some information that leads you to think well, probably the agent was in cahoots with these people—would you pay them?"

He said, "Well, it is a matter of identity. If we thought it was in good faith and that they really had bought them properly, why we would pay it, but if there was some doubt in our minds, then it is a question of identity," and he indicated that that would have to be determined. In other words, he would be the one who would determine it. Now, if he determined he wouldn't pay it, a citizen of Illinois who has a money order for \$100 or less, sure he can go down to New York and hire counsel, and sue them down there, because they have plenty of assets down there. But what have they got down here?

Now, I don't want to get out of the record, but we are all lawyers, and I say this for the purpose of illustration: Suppose the plaintiff's lawyer in this case that I just mentioned ever here in the Superior Court, where they couldn't get service for one reason or another, the wrong corporation or something, and suppose they said, "If you sue

American Express Company, we will enter an appearance."

Well, the lawyer at first thinks that is fine until he looks [fol. 179] into the Illinois law and finds out they are not a legal entity under our law. How will he collect? How will he get a judgment against an aggregation of individuals?

I asked Mr. Smith if it was not a fact that today, or that day, there wasn't a certificate over in the County Clerk's office showing who was doing business as the American Express Company, and I went down the list and asked him about them, and about six of them were dead, and Theodore Roosevelt was one of them, and about six of them are dead, and all the rest of them lived in New Jersey and New York. And then before we got through it developed that they had got 22,000 people doing business in Illinois as American Express Company. They are organized under the old Dutch laws that said they are a limited, voluntary association, or what not. They are not liable under the New York law, but in Illinois law who would you sue? What is this lawyer going to do? Is he going to try to find all of these people?

Judge Schmackenbergh: You are referring to Judge Lindley's opinion in the Wisconsin case. Are you agreeing with the result there, or are you distinguishing this [fol. 180] case from that?

Mr. Yowell: I am agreeing with the result there, and making every effort I can to bring our case exactly in line with that, and I think we have done so.

Judge Schmackenbergh: What did they hold there?

Mr. Yowell: They held that this was unconstitutional. Perhaps I should tell your Honors more about this case.

This was a corporation which was licensed in Wisconsin. They didn't have any trouble getting their license to conduct a money order business. And as a matter of fact, the American Express Company was licensed there, too, so they didn't have the aspect that I have just been adverting to. They were licensed there. I showed Mr. Smith a photostatic copy of their license and reports.

This action was brought under the same section of the statute that set up that the Wisconsin law, which was copied practically word for word from the Illinois law,

was unconstitutional in that it too, by name, exempted American Express Company. It didn't allow anybody to sell money orders except in a separate establishment. They [fol. 181] did no other business except money order business and check cashing, and incidentally the check cashers, they used the so-called float to cash the checks with—that is getting off the beam, but in that case the same contention was made that is made here—the 14th Amendment was violated, and the Court says, “We are concerned only with the question as to the validity of the statutory classification viewed in the light of the provisions of the 14th Amendment.”

Now, the Court says:

“Assuming arguendo that its long-standing reputation for financial responsibility might possibly constitute ample reason for exempting American Express from payment of the initial investigation fee and from necessity of compliance with the other statutory provisions incidental to procuring a license to enter into the business of selling or issuing money orders, it does not seem to us to be a reasonable ground for exempting it for all time from payment of the annual [fol. 182] license fee and investigation fees which its competitors are compelled to pay even after they have been investigated and found by the defendant Commissioner to be trustworthy and reputable, as required by the statute to enable them to procure a license in the first instance.”

Now, there they are talking about currency exchanges, and here as in our case these plaintiffs were only going to sell money orders, operate a money order business. Incidentally, they were not in business. They said they wanted to go in business. They didn't have an agent already. They didn't have a lease on a place of business. They didn't have a deposit in the bank or any of the things that we established here.

Judge Schmackenbergl: In that case was any point made as to whether or not the plaintiffs had exhausted their remedy before the Wisconsin courts?

Mr. Yowell: That point was made and the Court said

that the law was clear that you didn't have to have an interpretation of anything, and the Court gave relief and granted the injunction. They said:

"While it is true that American Express operates [fol. 183] on a world-wide scale, this does not alter the fact that its Wisconsin operations are not at all different from those contemplated by the plaintiff corporation and would be subject to the provisions of the statute if carried on by any one other than American Express or its agents. Thus the 700 agents of American Express are exempt from any fees, whereas, if the plaintiff corporation had 700 agents, their annual investigation fees would be at least \$14,000, their original investigation fees \$70,000 and their annual license fees were \$35,000. In such a situation, we think it clearly discriminatory to require plaintiff and its agents to pay substantial annual fees for licenses, to submit to periodic investigations at their own expenses, and to forbid their agents selling or issuing money orders in conjunction with the maintenance of any other business, when at the same time American Express in a [fol. 184] like operation, is exempt from all such annual fees and from the necessity of complying with the other regulations embodied in the statute, and its agents are permitted to engage in such other vocations as they see fit."

Now, they went into this McDougall case in Illinois which upheld the constitutionality of this very Act.

Judge Schnackenberg: Was this point that you raised in the McDougall case?

Mr. Yowell: Well, no, they alleged that this Act was lacking in due process—

Judge Schnackenberg: Well, I mean the exemption of these corporations following the McDougall case.

Mr. Yowell: Yes, I am quite certain that is right, your Honor.

Judge Hoffman: Well, the Court held there that the American Express did not violate any Federal laws.

Mr. Yowell: That's right, and they further held that the legislature without that section of the statute would



Judge Hoffman: Mr. Yowell, are you impressed with the position that the defendants take in respect to the factual setting, the differences in the factual setting of the two statutes of Wisconsin and Illinois?

Mr. Yowell: No, your Honor, there is —

Judge Hoffman: I point out that when the Wisconsin Statute was passed there were only five currency exchanges in the state and only seven now.

Mr. Yowell: I don't know about that.

Judge Hoffman: While Illinois has over six hundred, and Wisconsin was not familiar with the various evils and problems which led Illinois to adopt the scheme or regulation. [fol. 189] Do you think that is significant?

Mr. Yowell: I can't see how it can be.

Judge LaBuy: I have no questions.

Mr. Soble: Your Honors, I am Amicus Curiae, and I would like to say a few words with regard to this point.

Judge Schnackenberg: Well, what about it, Mr. Wines, do you want Mr. Soble to take part of your time?

Mr. Wines: Yes, your Honors, I would be glad to give him the time.

How much time do you want to give him?

Judge Schnackenberg: We will give the two of you together not more than Mr. Yowell has had. That was about twenty-five minutes.

Mr. Soble: I understand there is twenty-five minutes left. I would like to have fifteen.

Mr. Wines: And I would like to have fifteen.

Judge Schnackenberg: All right, fifteen minutes apiece, and I will stop you when your fifteen minutes are up.

#### ARGUMENT OF MR. SOBLE

Mr. Soble: In the first place, this question of exhausting the remedy in the State Courts is a matter of great importance in this case. Your Honor has mentioned it, but apparently nothing has been said about it in these arguments except —

Judge Schnackenberg: You said it is of great importance?

Mr. Soble: Yes, it is of great importance, because it is the Federal Rule in almost every case including constitu-

other than those exempted, or both of those functions, then you are engaged in the currency exchange business. [fol. 193] As to that, in the McDougall case, according to Judge Lindley, and I have the very fondest regard for Judge Lindley, he says that the community currency exchanges exercised one function, to sell money orders. There, we have a distinction, and the rule of the McDougall case does not apply.

With respect to that, I say the answer to that is quite simple. That, again, is a matter for interpretation by the State courts. It is primarily a State court interpretation first, and not until the Supreme Court of Illinois has passed upon that particular distinction of Judge Lindley can a Federal court take jurisdiction, and the Supreme Court didn't pass upon it if Judge Lindley's distinction is sound.

That is the difference between Judge Lindley's decision and here.

Now then, Judge Lindley takes the position that after all this distinction between the American Express Company, and the plaintiff in that particular case, be a proper ground for exempting the plaintiffs there for the present license, but as to future licenses, that is no ground for exemption.

Well, Judge Lindley, I think, differs with the law I have cited here to the effect that exemptions are based upon [fol. 194] existing facts, not upon future circumstances, and the mere fact that there may be hypothetical situations that may arise, the mere fact that the American Express Company may become insolvent, is not a question that affects the question of discrimination.

If the American Express Company becomes insolvent at some future time, then presumably the legislature will take cognizance of that fact, or if they don't, the courts may take cognizance of the fact that conditions have changed so that it is not an exemption for all time, it is an exemption based upon existing conditions.

The Supreme Court of the United States made that very clear in the *Queenside's* decision where they expressly said that, and I have that cited in my brief.

Now, the question that this Court has asked is with reference to the scales and placing of stamps for weighing on

those scales, and the question that first must be asked here is what was the purpose of that proceeding.

Then the next question is, does the exemption bear a relevant relationship to that purpose?

[fol. 195] Now, if the purpose of that hypothetical case that Judge Schnackenberg mentioned is to insure fair scale weighing by grocery concerns, then the question arises, does this differentiation, this distinction, bear a relevant purpose?

Now, in the first place, the Court has to bear this in mind. It is a presumption of constitutional law, and a lot of cases on the point, that a State legislature, before it enacts legislation, has, by its proper committee or sub-committee, made a survey of the facts, and examined all of the circumstances for the purpose of basing its legislation upon it.

The question first arises, is there a factual basis for the difference?

Now, the question that your Honor stated does not state whether there is a factual basis for that difference.

Now, if, for instance, it is a fact that the Great Atlantic & Pacific Tea Company has never had a case where they have been accused of false weighing, and they have never, by some ingenious method of their own, they cannot possibly make a mistake in that regard, then that differentiation would be valid, because the legislature is not supposed to [fol. 196] encompass all degrees of people that it may seek to remedy by its legislation.

If, on the other hand, it is fair to presume that the Great Atlantic & Pacific Tea Company is only human, and they do make mistakes in their machines, frequently they are too busy to have their machines corrected, why, then, it is quite obvious that there is no factual basis for that discrimination, and if there is no factual basis for that discrimination, of course, the discrimination, or the classification, would be invalid.

What is the fact in this case? The testimony by the deposition here shows that the American Express Company has been in existence since 1868; that back there in 1868, it had assets of \$9,000,000; that as of now, it has assets in the vicinity of \$200,000,000, and that it has never defaulted in the payment of a money order.

Now, what is the history of this currency exchange statute? Just the reverse.

I think Judge Schnackenberg was Speaker of the House during the time that some of this legislation was going through, and the history was a case of currency exchange operators without a license going broke.

[fol. 197] In other words, they took in people's money; and they just did not make good on their money orders. They went broke.

And as a result of that investigation, based upon a factual situation, the legislature concluded, as it had a right to do, because the business of being entrusted with the funds of another is a business that is affected with the public interest.

The Supreme Court of Illinois has frequently said that. No question about that.

So they went ahead and passed this legislation.

Now, they presumably, in the course of this investigation with reference to this legislation, they must have come to the conclusion that the American Express Company was in a class by itself, a unique world-wide organization with a gigantic amount of assets, an organization that is checked by the New York Banking Department; an organization that is a depository of millions upon millions of dollars of United States' funds all over the world, and they must have concluded, inasmuch as the American Express Company had a clean record, that we won't check the American Express Company, and bring them within the classification [fol. 198] of the ordinary run of operators.

Now, that point I make is not novel. The Supreme Court of the United States has squarely passed upon it in the *Engle* case in the 219 U. S. 128. In that case, the New York statute prohibited individuals or partnerships to engage in the business of receiving deposits of money for safe-keeping for transmission or any other purpose without a license from the State comptroller.

The requirement for a license was that the applicant deposit \$10,000 with the comptroller, and present a bond with a penalty of not more than \$50,000, or less than \$10,000, to be fixed by the comptroller.

The annual license fee was \$50. Section 29(b) of the statute exempted inter alia any express or telegraph company receiving money for transmission, and any indi

viduals or partnerships where the average amount of each sum received on deposit or for transmission should not have been less than \$500 during the preceding year.

Now, there is a distinction, a differentiation, based on the worth of the concerns exempted, on their financial [fol. 199] standing, on their solvency.

The Supreme Court, in the decision Mr. Mr. Justice Holmes, held that Act constitutional, held that discrimination constitutional, and said that legislation which regulates business may well make distinctions depend upon the degree of evil. It is true, no doubt, that where size is no index to an admitted evil, the law cannot discriminate between the great and the small, but in this case, size is an index.

Now, then, so in our case.

Judge Schnackenberg: Where is that, 219

Mr. Soble: 219 U.S. 128. Size is an index.

Now, the mere fact that individuals are exempted does not affect the Illinois law on that situation.

Now, Mr. Wines referred to the Stewart case in 300 Ill. I would like to add to his explanation of that case this fact: that there the Blue Sky Securities law exempted certain trades made through certain stock exchanges like the New York Stock Exchange or the Chicago Stock Exchange, and one or two others, but there were a number of stock exchanges who were not exempted by this Act, and there arose [fol. 200] the question as to why was the New York and the Chicago Stock Exchanges exempted. Why weren't they exempted?

So the mere fact that an exemption is made by name in the State of Illinois doesn't affect the situation.

Now, in Wisconsin the law is different, and in Wisconsin, as Judge Lindley points out there, and I think that is what affected the reasoning of the Judges in that case, that where an exemption is made not of a class, but of an individual, it is no good under the Wisconsin statute, but in Illinois it is good because, in that 300 Ill. they did it. They did it in the very case, this McDowell case, in 389 Ill., and I have cited in my brief at least five or six cases where there were specific exemptions of individuals or concerns, and where the United States Supreme Court said that those exemptions were perfectly all-right.



Judge Schnackenberg: Let me ask this: with the exception of this law we are considering, do you know of any Illinois statute which exempts any corporation or individual by name?

Mr. Soble: Well, as I say, that Blue Sky law does.

Judge Schnackenberg: That doesn't exempt the individual [fol. 201] by name. It exempts certain securities that are dealt with on the New York Stock Exchange, and certain exchanges, but here the legislature writes into the law itself three organizations that are exempt from the operation of the law, and I ask you, has there ever been a statute passed in Illinois like that before?

Mr. Soble: Well, I cannot say that I know the answer to that question one way or the other. I don't know.

Judge Schnackenberg: Now, in the legislature, it has been almost a religion with us that if anybody was to be exempted, or any law was to be applied to a group, it would be described in abstract terms as a class having certain characteristics. I have often wondered where this bill came from, named A, B and C, those sacred cows, who were beyond the pale of the law.

I cannot imagine the Legislative Reference Bureau at Springfield, who draw the laws, or had the experts on legislation, ever approving this exemption. You may investigate it and find out, to my great astonishment, they did, but I cannot believe it.

[fol. 202] Well, at any rate, they did.

Your time is up, by the way, and I used part of it.

Mr. Soble: I am sorry. They did, and the Supreme Court of Illinois said it was O.K., and I have here a number of United States Supreme Court cases where they exempted specific companies and individuals.

Judge Schnackenberg: I think you had better submit a memorandum including them. I have written down 219 U.S., but you had better submit a memorandum.

Mr. Soble: The other point in that connection is merely this:

Judge Schnackenberg: Your time is up.

## ARGUMENT BY MR. WINES

Mr. Wines: May it please the Court, your Honor, answering immediately Judge Schnackenberg's question—I don't have the citation with me, but there is such a case. That is the Rosehill Cemetery Company, having been incorporated by a special charter, and it has been held for that reason to be exempt from the General Sanitary Care Act.

It is quite true—

Judge Schnackenberg: Did the last Act, which you just mentioned, exempt them by name?

Mr. Wines: No.

[fol. 203] Judge Schnackenberg: That is what I am asking.

Mr. Wines: I am sorry. I mean, it is a case where two Acts read together have that.

Judge Schnackenberg: That is the construction that the Court puts upon the two Acts when read together, but did the legislature at any time ever exempt or legislate in reference to any firm, person or corporation in Illinois by name, other than this Act?

Mr. Wines: Well, the Illinois Central Railroad Company.

Judge Schnackenberg: Well, that came before the Constitution of 1870.

Mr. Wines: Yes.

Judge Schnackenberg: We are under the Constitution of 1870.

Mr. Wines: I understand, your Honor.

Judge Schnackenberg: There were special charters granted to a lot of organizations, Northwestern University, and so forth, back in the days before 1870.

Go ahead.

Mr. Wines: Other than that, I don't know of any, your Honor.

Well, first very briefly, I should like to address the facts in this case, and particularly with respect to the defense of [fol. 204] unclean hands.

The evidence shows that these plaintiffs are purveying to the public money orders that bear upon their face the legend "licensed, bonded."

Now, there is a statute, the Illinois Currency Exchange Act, Constitutionally meant, as applied to these plaintiffs

or at all, under which licenses are in fact granted to people who sell money orders.

Any citizen, knowing that the money order business in Illinois is in general licensed, may go into Mr. Derrick's drug store and pay his money for a money order, that says upon its face "licensed" and "bonded." He is certainly entitled to believe that Mr. Derrick is licensed from the State of Illinois under the Currency Exchange Act, and he might think it was the Banking Act. He might not know just which legislation, but he certainly is led to believe that that business is carried on under the surveillance of public authority and under the auspices of public supervision.

What is the fact? The word "license" refers to a trade mark, a trade name license, by a contract made in Minnesota, but the making of that trade name license was [fol. 205] itself a violation of the law because it was the granting of a license to use the trade name by one who did not transfer the business or assume the responsibility for the use of the trade name. And, in fact, should have a trade name when issued to Mr. Derrick to use, and without transferring the business to him or assuming responsibility for his product, it is a fraud upon the public and there is no doubt about it under the law.

I should like to read very briefly from Nims on Unfair Competition, and then I will read very briefly from the United States Supreme Court case sustaining it.

Nims, on Unfair Competition, 1929 Edition, Section 22, page 67, the Court said:

"The mark indicates to the public an article for which its owner is responsible."

That is Bondified, owned by Checks, Incorporated.

"It is the guaranty of commercial source, not of manufacturing source, this being the nature of marks of trade, and all use of such marks by lease, license or [fol. 206] grant are unnatural uses, confusing to the public, and all contracts of lease, license or grant, are contrary to public policy unless the transfer is accompanied by a transfer of the business itself."

Further, the licensing or leasing of brands is inconsistent with this principle. A lease or license of

a mark, apart from the business in which it is used, constitutes an abandonment of the mark, and right fully so."

And in the leading case of *Manhattan Medicine Company against Wood*, 108 U.S. 218; not cited in our brief, the Court says that the granting of a license by the owner of a trade mark or trade name who had never used that trade mark or trade name except in connection with the sale of the business is a fraud on the public. It holds it squarely. I don't have time to read the quotation, because I have other points to make.

In the case of *Fisk Teachers Agency, Fisk against Fisk Teachers*, 3 Fed. 2nd, 7, the plaintiff had an enviable reputation for teachers employment agency, known as the Fisk [fol. 207] Agency. It licensed other agencies in other parts of the country to use the name Fisk, just as *Cheeks, Incorporated* licenses these gentlemen to use the word "Bondified," and they said that the granting of a license to use a trade name, and that was the name of a service, not a mark for a product, without a transfer of the business, and without assumption of liability and responsibility by the proprietor, is a fraud on the public.

So Mr. *Cheeks, Incorporated* and these gentlemen are probably guilty of mail fraud because they have licensed the use of a trade name without a sale of the business, and there is not any doubt under the Federal law that is a fraud.

So these gentlemen are in the position of coming into a court of equity and saying that the *Currency Exchange Act* does not apply to us, and we want to use it in this kind of a business, and the business that they describe is one that runs afoul of the law, representing to the public that they are licensed, implying that they are licensed by State authority, when actually it is a trade mark license, and that trade mark license was not accompanied with a transfer of [fol. 208] the business and it is a fraud under the law.

Now, coming to the Constitution. We think that disposes of it, because certainly your Honors won't affirmatively protect an illegal, illegitimate and dishonest business even though statute should be held to be unconstitutional.

Now, coming directly to the heart

Judge Schnackenberg: Now, this point was not briefed in the briefs.

Mr. Wines: No, your Honor, but the law —

Judge Schnackenberg: I want to interrupt you to say that I think you had better file a supplemental brief on that point.

Mr. Wines: And perhaps amend our pleading?

Judge Schnackenberg: I don't know about that. It is up to you.

Mr. Wines: There is plenty of law where it appears in a cause of action that public policy is involved, it can be raised through its body by the Court. Anyway, we will file a supplemental brief and serve counsel, and I will abandon the matter at this time.

Now, coming directly to the case of McDougall and [fol. 209] Martin vs. Lueder, I endorse all that Mr. Soble said about exhausting remedies, and so on, but getting to the Constitutional question, the question really, your Honor, is this: which court was right?

The Three-Judge Court composed of Judge Lindley and the other two Judges, or the Supreme Court of Illinois is the McDougall and Martin vs. Lueder, because, although the facts are a little different in both cases, the question was squarely presented whether the exemption of the American Express Company by name was Constitutionally legitimate. One Court says yes, and one Court says no.

Your Honors now have the task which is stimulating, or otherwise, depending on your temperaments, to decide which of two sister Courts of equal authority is right.

Judge Schnackenberg: By the way, did you think that the decision in the McDougall case satisfies the requirements here of exhaustion of State remedies?

Mr. Wines: I don't, your Honor, because the

Judge Schnackenberg: You rely on that, but yet you say it does not decide it for the purpose of exhausting State remedies of the plaintiffs here, is that it?

Mr. Wines: I rely on it because of this fact: Counsel for [fol. 210] the plaintiffs does say that he attempted to distinguish it. He stood at the bar, and said it isn't in point, and isn't controlling, and if that is so, then I submit he can't have it both ways. He either takes the position that it is against him and knocks him out, or it isn't, and he re-



pairs to that Court, but, however the exhaustion of remedies question may be, I just want to say this:

I come again to the question your Honor asked me about the Kroger—I think your Honor said the Atlantic & Pacific.

Judge Schnackenberg: Which, I understand, is older than the American Express Company. That is why I happened to pick it.

Mr. Wines: I don't know whether it is or not.

Judge Schnackenberg: Oh, yes? They started out, as I understand it, according to their claims, at least, in 1850—something, peddling coffee around the streets in a wagon.

Mr. Wines: The difference between the two cases is this, your Honor: The American Express Company is not only a world-wide organization, unparalleled in unique assets, but very significantly it is a depository for United States funds.

[fol. 211]. Judge Schnackenberg: There were some of those in 1933 that went to the wall.

Mr. Wines: That may be. The American Express Company may go to the wall, and any exempt class, no matter how exempt it is, it may go to the wall, but we are talking about what the legislature could reasonably have found.

They could have found, and presumably did find, that the American Express Company is subject to a type of scrutiny by New York authorities, which is the case with respect to securities sold on the New York Stock Exchange, and United States authorities, as to justify this exemption.

Now, if the plaintiffs could point to another company, even though it was not their own, comparable not only in magnitude—size is not alone determinative, I will concede that—but, comparable in the quality and extent of surveillance over it by public authority, Federal and in a sister State, and that wasn't exempt, then I would say the whole exemption is void, and we go on from there.

But the fact is that it is not suggested for a minute that there is an economic reality in such an organization as the [fol. 212] American Express Company doing business in Illinois anyway except that company, and the only question is, is the exemption by name, instead of by definition, the criterion, and we think that it is not, and we remind your Honors, in the Queenside's case, cited in my brief, and

also in the Amicus Curiae brief, even though the law may contemplate at some future time, the creation of something that will create a distinction; until there is a discrimination in fact, there is none in law, and I think I have used my time.

Judge Schnackenberg: You have one minute.

Mr. Wines: Well, I can only say in that minute that we think that the American Express Company stands on a different footing for the reasons I have submitted.

Judge Schnackenberg: Do you want to add anything? You have about seven minutes.

Mr. Yowell: I won't use that much.

Mr. Beatty: I want to make our position clear.

Judge Schnackenberg: I thought you adopted Mr. Wines' argument?

Mr. Beatty: All right.

#### ARGUMENT BY MR. YOWELL

Mr. Yowell: I would like to make just three points. It will take about three sentences.

[fol. 213] First, with respect to the question of the exhaustion of remedies. Judge Lindley had no trouble passing on this, and it had never been in the Supreme Court of Wisconsin. It did not appeal to him that you had to exhaust your remedies in Wisconsin State Court before you could get relief in the Federal Court for violation of the Fourteenth Amendment.

I think if the rule is as clear and obvious as counsel would have the Court believe, Judge Lindley might have hesitated a little bit. The fact of the matter is there is no such rule.

There is this rule that has been adopted. The Supreme Court and the Federal Courts, when it comes to a construction of ambiguous language in the statute, they will look to the State Court's construction. That is fine. They will accept it as conclusive as to what the statute says. But where the statute is clear, and this one is clear if anything can ever be clear—where the statute is clear, you don't have to get a ruling of your Supreme Court.

Now, that is covered fully in the briefs. They cite this same 219 U. S. case, and they cover these points rather

[fol. 214] exhaustively, and we have answered them. I do not think we need go into that further now.

Now, with respect to the charge that these men are coming in here in a court of equity with unclean hands, because they are making this representation to the public, counsel has selected two words at the bottom that are a part of a mark: it is a round thing that says, "money transferred," and in the middle, it says "Bondified."

This whole money order is a special design. On each side of that, it has those two words, but up above, counsel did not talk about this. It is perfectly clear. It says, "Bondified Money Order," and after "Bondified" is an asterisk, and down at the bottom is another asterisk. It says, "Registered U. S. Patent Office," and then, completing the sentence after the comma, it says, "operated under license granted to Bondified Systems."

In other words, it is a Bondified Money Order Service, registered in the United States Patent Office, operated under a license granted to Bondified Systems. That is exactly what we have shown is the case here, and if some customer comes in and loses money because of his belief that these people had a license from the United States Government [fol. 215] ment as counsel asked them, or from the State of Illinois, some special license, and could show that he was damaged, and that they intended to defraud him, and that he acted on it, and that he was defrauded, I suppose you could make out a case of fraud, but that is not this case.

All the record shows is that this is in use over a wide area. It is used in states where they do not even have to have a license so certainly they are not trying to represent there could not be any advantage in representing anything there. These people are certainly not representing they have got a license under the statute which they say is invalid, and they don't have to have a license under it.

Now, as to the point made about the assignments, the assigning of a trade name unless you assign something that goes with it, business or merchandise, so far as Checks Incorporated is concerned, that thing is merchandise. They are selling these things. They sell these to the people. They pay so much a hundred for all these different forms, because they are copyrighted or patented, registered in

the case of some of them, and that whole thing, Mr. Smith [fol. 216] testified in his deposition their money orders are registered down in Washington. Their forms are registered. He is a little vague about the money orders themselves. He said he knew they had things registered down there in Washington, whatever they needed to protect them. Of course they have got it registered, otherwise anybody else could call themselves the American Express Company and start selling these things.

If it was a matter here of unclean hands, it would be a peculiar application of that doctrine, I submit.

That is all I have to say about it.

#### COLLOQUY

Judge Schnackenberg: Are counsel going to have the proceedings here today written up by the reporters?

Mr. Yowell: Yes, your Honor.

Judge Schnackenberg: Will you have copies enough, one for each member of the Court?

Mr. Yowell: Yes. In that connection, I might say that I can make available to the Court white photostats I think of all the exhibits we have offered today, almost all of them.

Judge Schnackenberg: All right. I would like to suggest, on behalf of the Court, that in so far as the points [fol. 216a] argued here today have not been covered by the briefs heretofore filed, that the plaintiffs file a supplemental brief within, say, seven days; that the defendants answer thereto in seven days thereafter, and because some of these points that are being raised today are raised by the defendants, seven days thereafter, the plaintiffs may file a reply brief, and each side, with its brief which may be filed with Judge Hoffman, each side will file the exhibits that are introduced or photostatic copies thereof and, who will furnish this evidence written up?

Mr. Yowell: We will do that.

Judge Schnackenberg: The plaintiff will do that, and that should be submitted with the first set of briefs seven days from now.

Mr. Yowell: I assume the reporter can do that in seven days?

Judge Hoffman: I would like further to ask this question:

We have in the court file the original of the depositions which we are to consider here. Will these depositions actually be written up in the record? If they will, there will be no necessity for letting us borrow the lawyers' carbon copies.

Mr. Yowell: I think, really, there would be no reason for [ols. 217-218] rewriting all that; if we stipulate it is a part of the record.

Judge Schnackenberg: There are not enough copies of the depositions for the Judges, are there?

Mr. Yowell: They have a copy and we have a copy.

Judge Schnackenberg: That is two.

Mr. Yowell: That is three altogether.

Judge Schnackenberg: The original is here.

Mr. Yowell: Yes.

Judge Schnackenberg: If you will furnish a copy of the deposition with your respective briefs, then with your opponents' here, we will have three.

Will that be agreeable?

Mr. Wines: I should think it will.

Judge Schnackenberg: That will be the order. You may comply with that.

Mr. Yowell: Yes.

Judge Schnackenberg: The Court will stand adjourned.

Mr. Soble: May I file a brief for the Amicus Curiae?

Judge Schnackenberg: I think so, at the same time that the defendants file.

Mr. Soble: That assumes, of course, that the testimony can be written up in seven days.

Judge Schnackenberg: Yes.

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[ols. 219-221] Reporter's Certificate to foregoing transcript omitted in printing.



[fol. 222]

## PLAINTIFFS' EXHIBIT 1

Charles F. Carpentier, Secretary of State

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

SPRINGFIELD

June 3rd, 1933

Fischer, Bosgrat and Mackenzie

Attorneys at Law

10 South LaSalle Street

Chicago 3, Illinois

Attention: Harold B. Mackenzie

Re: Currency Services of Illinois, Inc.

Gentlemen:

I am returning application for Certificate of Authority and check for \$35.84 of the above.

I regret to advise that the name of the above is available only with the written consent of Service Currency Exchange, Inc., a corporation located in Chicago.

Oscar Silverstein

6119 Winchester Ave., Chicago.

3158 Irving Park Road, Chicago.

As the name would indicate and, as stated in your purposes, it appears that the corporation wishes to operate a currency exchange. In this case, the approval of the State Auditor is required.

In the event you meet the above requirements and resubmit the application for Certificate of Authority, I wish to advise that it will be necessary to accompany the application with a certified copy of the Articles of Incorporation and all Amendments thereto, along with the required filing fee.

Very truly yours, Charles F. Carpentier, Secretary  
of State

Corporation Department

CFC:JM:b

epels.

[Vol. 223]

## PLAINTIFFS' EXHIBIT 2

Charles F. Carpentier, Secretary of State

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

SPRINGFIELD

June 17th 1953

Fischer, Bosgraft and Mackenzie

Attorneys at Law

10 South LaSalle Street

Chicago 3, Illinois

Attention: Harold B. Mackenzie

Re: Currency Services of Illinois, Inc.

Gentlemen:

I am returning certified copy of Articles of Incorporation of the above.

In answer to your letter of June 11, I wish to advise that "Bondified" Money Order System, Inc. is not available to be used as a corporate title. "Bondified" Systems, Inc. and "Bondified" Services, Inc. are both available to be used as corporate titles at this time provided that the purposes which the corporation wishes to pursue in this state are acceptable by this department.

Very truly yours, Charles F. Carpentier, Secretary of State.

Corporation Department

~~CEC: M. B.~~  
encl

[fol. 224]

PLAINTIFFS. EXHIBIT 3

PARTNERSHIP AGREEMENT ESTABLISHING  
LIMITED PARTNERSHIP OF  
BONDIFIED SYSTEMS

This Agreement, made and entered into at Chicago, Illinois, this 15th day of August, 1953, by and between J. Wesley Carlson, Donald Q. McDonald and George W. Dond, all of Wheaton, Illinois, hereinafter termed the "Partners",

Witneseth:

Whereas, the Partners have heretofore caused to be incorporated a corporation organized under the Laws of the State of Minnesota, known as Bondified Systems, Inc., hereinafter termed the "Corporation," for the purpose of securing a franchise from Checks, Incorporated, a Minnesota corporation, for the issuance, sale and distribution of "Bondified" Post Card Checks, "Bondified" Money Orders and for the establishment and operation of services and systems pertaining thereto, and the Corporation has secured such a franchise from Checks, Incorporated; and

Whereas, the Corporation has become licensed to do business in the States of Illinois and Indiana; and

Whereas, it is considered by the Partners that the business to be conducted under the aforesaid franchise can be more effectively and successfully operated by a partnership business entity, and the license granted to the Corporation by Checks Incorporated permits such operation; and

Whereas, the Corporation is willing to assign to the Partners all rights granted to it under the aforesaid license from Checks, Incorporated;

[fol. 225] Now, Therefore, It Is Hereby Agreed by and between the Partners as follows:

1. The Partners do hereby form a Limited Partnership, pursuant to the provisions of the Uniform Limited Partnership Act, Illinois Revised Statutes, and do hereby associate themselves together as Partners for the purpose of conducting in the metropolitan area of the City of Chicago, including the Northwestern portion of the State of Indiana,

a business enterprise for the purpose of selling, issuing and distributing "Bondified" Post Card Checks, "Bondified" Money Orders and other currency services, material, and establishing and operating services and systems pertaining thereto, all as contemplated and permitted under license granted to Bondified Systems, Inc. by Checks, Incorporated under Agreement entitled "Operator Contract," dated August 28, 1953, and to perform all acts reasonably pertaining thereto.

2. Donald Q. McDonald and George W. Doud shall be the General Partners of this Limited Partnership, and J. Wesley Carlson shall be a Limited Partner in the said Limited Partnership.

3. Said Partnership shall be conducted under the firm name and style of "Bondified Systems," and the principal place of business of said Partnership shall be 10 South LaSalle Street in the City of Chicago and State of Illinois.

4. This Partnership shall commence on the 15th day of August, 1953, and shall continue until the 14th day of August, 1958, unless earlier terminated for any reason.

5. The capital contribution of the Partners shall be as follows:

Name of Partner	Capital Contribution
Donald Q. McDonald, General Partner	\$12,000.00
George W. Doud, General Partner	12,000.00
J. Wesley Carlson, Limited Partner	12,000.00
Total Capital Contribution	\$36,000.00

[fol. 226] 6. The profits and net earnings, as may accrue from the business of said Partnership after deduction therefrom of all expenses and outlays attending the conduct and management of said business and all losses that may be sustained therein shall be divided as follows:

a. From the first such earnings and net income there shall be paid to any Partner active in the management and operation of the business of said Partnership, salary compensation as follows:

(1) Salary compensation to the Partners active in the business affairs of the Partnership shall be

on the basis of Five Hundred Dollars (\$500.00) per month for fulltime service.

(2) Partners devoting only part time to the business affairs of the Partnership shall be entitled to salary compensation pro rata for time actually spent in the business and activities of the Partnership, based on full-time employment of forty (40) hours per week, and for four and one-third ( $4\frac{1}{3}$ ) weeks per month.

(3) The rate of salary compensation of Five Hundred Dollars (\$500.00) per month may be hereafter increased or decreased as the Partners may unanimously agree from time to time.

b. After payment of salary compensation to the Partners as provided in Paragraph "a" above, the remainder of the Partnership income for each year or fiscal period shall be apportioned to the Partners in equal thirds.

c. Any loss of the Partnership shall be distributed among the Partners equally, except that the share of losses distributable to the Limited Partner shall not at any time exceed the total of the capital contribution made by said Limited Partner plus any undistributed [fol. 227] profits standing to the credit of said Limited Partner.

d. Profits distributable to the Partners under the provisions of Paragraph "b" above shall be distributed only upon the unanimous agreement of the Partners so to do, and all undistributed profits retained by the Partnership shall bear interest at the rate of six per cent (6%) per annum until same shall be distributed. In the event that any of the original capital contribution of the Partners shall have been dissipated through losses in the business, then no distribution of profits shall be made until said capital contribution shall have been fully replenished by subsequent earnings of the Partnership.

f. Upon the termination or dissolution of this Partnership, a full account of the assets and liabilities of the Partnership shall be taken, and the assets shall be liqui-



dated as promptly as possible and the profits thereof shall be applied as follows:

a. To the payment of the debts and liabilities of the Partnership, and the expenses of liquidation.

b. To the repayment of capital contributed between General and Limited Partners, or if the said assets then remaining shall not be sufficient to repay all said capital contributions, then said assets shall be paid to all Partners pro-rata according to the capital contribution of each.

c. The surplus, if any, of said assets remaining shall be divided among the Partners in equal thirds.

8. Each of the Partners of this Limited Partnership shall be liable for the obligations of the Partnership to the full extent of the original capital contribution of such Partner, the liability of each such Partner to be in the same percentage of such obligations of the Partnership as the [fol. 228] percentage of his capital contribution to the entire capital contributed to the Partnership; further provided, that the liability of the Limited Partner shall be limited specifically to his capital contribution and only to such capital contribution, and the General Partners shall be equally liable for any and all obligations of this Partnership, if any, over and above the total capital contributions of all Partners to the Partnership.

9. At all times, during the continuance of the Partnership, the General Partners shall keep, or cause to be kept, full and faithful books of account in which shall be entered fully and accurately, each and every transaction of the said Partnership; and the said General Partners shall cause the said books to be written up and balanced, on or about the last day of each fiscal year during the continuance of the said Partnership; and a statement thereof shall be available to each Special Partner; and the net profits, if any, of the Partnership, after deduction of, or allowance for, all of the expenses and outlays theretofore made or incurred in the conduct of the business, as well as all losses sustained therein, shall be apportioned, as herein provided, and the share of each Partner, in such profits, shall then be placed in the individual credit of such Partner upon said books.

10. Each General Partner hereby covenants and agrees as follows:

a. That he will give the major portion of his time and attention to the business of the Partnership, and will use his utmost efforts to promote its success, and will not, during the continuation of this Partnership, engage or be interested in any other business not related to or associated with the Partnership, without the prior written consent of the other General Partner.

b. That he will not, during the continuance of the said partnership, in the name of the Partnership, make, [fol. 229] draw, endorse, accept or sign any check, promissory note, draft, bill of exchange, bond or obligation of any description whatsoever, for the accommodation of any other person, firm association or corporation other than in the regular legitimate business of the Partnership.

c. That he will not, during the continuance of the said Partnership, in his own name, endorse any mercantile paper, or become surety, in any way or form whatsoever, for any other person, firm, association or corporation.

11. The first fiscal period of this Partnership shall commence on August 15, 1953, and shall terminate on December 31, 1953, and subsequent fiscal periods of the Partnership shall commence on January 1 of each year and end on December 31 of that year; provided, however that the Partners may at any time, upon proper written declaration, amend and change the fiscal period of this Partnership in any manner they may deem appropriate.

12. If, at any time during the continuance of the Partnership, the parties hereto shall deem it necessary or expedient to make any alteration in any of the articles hereof, or any addition hereto, for the more advantageous or satisfactory management of the Partnership business, or to terminate this Agreement prior to the termination date specified herein, it may be done by any writing, under their joint hands, endorsed on this Agreement, articles, or by the execution of an agreement supplemental to this Agreement; and all of such alterations, amendments and additions shall

be adhered to, and have the same effect, as if the same had been originally embodied in, and formed a part of, these presents.

[fol. 230] In witness whereof, the Partners have hereunto placed their hands and seals as of the day and year and at the place above stated.

Donald Q. McDonald, General Partner (Seal),  
George W. Doud, General Partner (Seal), J. Wesley  
Carlson, Limited Partner (Seal).

Plaintiff's Exhibit 4

**208 South La Salle Street  
Building  
LEASE**

208 SOUTH LA SALLE ST.  
CORPORATION

To

BONDIFIED SYSTEMS, *Inc.*

Room **703-Npart705**

From **November 1**, 19**53**

To **October 31**, 19**55**

Rent per Month, \$ **225.00**

" Annum, \$ **2,700.00**

**2-year term \$5,400.00**



**This Indenture, Witnesseth,** That the Lessor, 208 SOUTH LA SALLE ST. CORPORATION does hereby le

**BONDIFIED SYSTEMS, INC.** 594

in the building located at and known as Number 203 South La Salle Street, in the City of Chicago, State of Illinois, for the term of Two (2) years

IN CONSIDERATION of said demise the lessee covenants: (1) To pay to the lessor, as rent for said premises, the sum of FIVE THOUSAND FOUR HUNDRED AND NO/100 DOLLARS (\$5,400.00)

.....

calendar month of the term of this lease. All of said payments shall be made at the office of the 248 South La Salle St. Corporation, Chicago, or such other place in Chicago, as the lessor shall from time to time, by written notice left at said demised premises, appoint; that each and every installment of rent accruing under the provisions of this

(2) That the lessee will use and occupy said premises for their office and for no other use or purpose, and that the lessee will at his own expense keep said demised premises in good repair and tenable condition during said term, and that the lessee will replace at his own expense any and all broken glass

(4) That the lessee will not assign this lease nor any interest hereunder; and will not permit any assignment hereof by operation of law; and will not sublet said premises or any part thereof; and will not permit the use of said premises

(6) That the lessee will not use or permit upon said premises anything that will invalidate any policies of insurance now or hereafter carried on said building or that will increase the rate of insurance on said demised premises, or on the building of which said demised premises are a part; that the lessee will pay all extra insurance premiums on the said building which may be caused by the use which said lessee shall make of said demised premises; that the lessee will not use

(7) That the Lessor shall not be liable for any damage either to person or property, sustained by the lessee or by other persons due to the building or any part thereof or any appurtenances thereof becoming out of repair, or due to the happening of any accident in or about said building, or due to any act or neglect of any tenant or occupant of said building, or of any other person. This provision shall apply especially (but not exclusively) to damage caused by water, snow, ice, wind, lightning, fire, explosion, riot, strike, sabotage, terrorism, nuclear power plant accidents, war, acts of God, and all other causes whatsoever.

(B) Lessee mutually agreed that all the rules and regulations printed upon the back of this instrument shall be and are hereby made a part of this lease, and the lessee covenants and agrees that he and his servants and agents will at all times observe, perform and abide by said rules and regulations.

It is further agreed that in the event of the sale by the lessor of said building or of the land thereunder, or the making of a ground lease of said land, the purchaser at said sale, or the lessee in said ground lease, shall in like manner have the right to terminate the term hereby demise on the thirtieth day of April in any year upon giving to the lessee written notice of such termination prior to the first day of February in the same year.

once, without notice to the lessee or to any other person, terminate this lease; and upon the termination of said lease, the lessee shall surrender possession of said premises to the lessor, and remove all effects therefrom; and if such possession be not immediately surrendered, the lessor may forthwith re-enter said premises and repossess itself thereof as of its former estate and remove all persons and effects therefrom, using such force as may be necessary, without being deemed guilty of any manner of trespass or forcible entry or detainer. And the lessee expressly waives the service of any notice of intention to terminate this lease, or to re-enter said premises, and waives the service of any demand in respect of rent or for possession, and waives the service of any and every other notice or demand prescribed by any statute or other law, and agrees that it shall

of rent or for breach of any of the covenants or agreements in this lease contained, nor shall the entry of such judgment release lessee from the obligation to pay the rent hereby reserved to be paid during the balance of the term hereof or during any extension hereof. No receipt of money by the lessor from the lessee after the termination in any way of this lease, or after the giving of any notice, shall reinstate, continue or extend the term of this lease.

(9) It is mutually agreed that the lessor and its assigns shall have the right to terminate the term hereby demise absolutely on the thirtieth day of April in any year if the lessor shall desire to remodel, remove or demolish the said building, or shall desire to sell the said building or the land thereunder, or to make a ground lease of said land, provided that the lessor shall first give to the lessee on or before February first, in the year in which said lease is to be terminated, a written notice of such intention to terminate the lease.

(10) That if default shall at any time be made by lessee in the payment of the rent hereby reserved, or any installment thereof, or if default shall be made in any of the other covenants herein contained, to be kept, observed and performed by the lessee, or if the leasehold interest shall be levied on under execution, or if the lessee shall be declared bankrupt or insolvent according to law, or if any assignment of his property shall be made for the benefit of creditors, or if a receiver shall be appointed for the lessee, or if the lessee shall be adjudged a "debtor" under the provisions of the Federal Bankruptcy Act as amended and supplemented, then, and in any of said cases, the lessor may, at its option, at once terminate this lease, without prejudice to its right to recover damages thereon, and to enforce the same through all legal remedies.

state this lease or to re-enter said premises, and waives the service of any demand for payment of rent or for possession, and waives all claims or damages, whether provided for by any statute or not, and agrees that the simple breach of any of the said covenants shall, of itself, without the service of any notice or demand whatever, constitute a forcible detainer by the lessee of said premises, within the meaning of the statutes of the State of Illinois. The service of any five days' notice or other notice to quit or demand for possession or notice that the tenancy thereby created will be terminated on a day therein named shall, not of itself be deemed a termination hereof, nor shall the institution of any

[illegible]

IN WITNESS WHEREOF, the lessor has hereunto set his hand and seal at New York City, New York, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Lessor

IN WITNESS WHEREOF, the lessee has hereunto set its hand and seal at New York City, New York, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Lessee

(12) That the lessee will pay to the lessor at once upon the termination of this lease, in accordance with the provisions hereof, or upon the vacation of said premises by the lessee, a sum of money equal to the entire amount of rent by this lease provided to be paid and at that time remaining unpaid, including double rent as herein provided as the liquidated damages of the lessor, and upon making such payment the lessee shall be entitled to receive from the lessor all rents received by the lessor from other tenants on account of said premises during the term originally demised by this lease, provided, however, that the moneys to which the lessee shall so become entitled shall in no event exceed the liquidated

(15) To pay all attorney's fees and expenses of the lessor incurred in enforcing any of the obligations of the lessee under this lease, or in any litigation or negotiation in which the lessor shall, without its fault, become involved through or on account of this lease.

(15) That the lessee will pay to the lessor, as liquidated damages, double rent for all the time the lessee shall retain possession of said premises or any part thereof after the termination of this lease, whether by lapse of time or otherwise; but the provisions of this clause shall not operate as a waiver by the lessor of any right of re-entry hereinafter provided; nor shall any waiver by the lessor of its right to terminate this lease for breach of covenant affect its right to terminate this lease for any later breach of the same or another covenant.

(18) That the lessee shall not conduct, nor permit to be conducted on said premises, any business which is contrary to any of the laws of the United States of America, or the State of Illinois, or contrary to the ordinances of the City of Chicago, and it is expressly agreed that a violation of this clause shall, at the option of the lessor, work a forfeiture of this lease.

(20) In case of the injury by fire of the demised premises or any part thereof, the lessor shall have sixty days within which to repair and restore the same, without terminating this lease. Further the lessor and lessee covenant with each other that if, during the life of this lease said premises shall be so injured by fire as to be untenantable, then unless said injury be repaired within sixty days thereafter as hereinabove specified, either party hereto upon written notice to the other party given not later than seventy days after said fire may terminate this lease, in which case rent shall be apportioned and the lease shall terminate on the date of such fire.

(22) That if the lessee shall move from said premises at any time prior to the termination of this lease, the lessor shall have the right to enter upon said premises for the purpose of decorating the same or making alterations or changes therein, without such entry in any manner affecting the obligations of the lessee hereunder.

(23) No waiver of any condition expressed in this lease shall be implied by any neglect of the lessor to declare a forfeiture on account of the violation of such condition, if such violation be continued or repeated subsequently, and no

(24) In every case where under the provisions of this lease it shall be necessary or desirable for the lessor to give to or serve upon the lessee any notice or demand it shall be sufficient either (1) to deliver or cause to be delivered to the lessee a written or printed copy of such notice or demand, or (2) to send a written or printed copy of said notice or demand by mail, postage prepaid, addressed to the lessee at the demised premises or (3) to leave a written or printed copy of such notice or demand upon the door leading into said premises.

the period for which the charge is made; and in case the lessee shall fail to make payment for electric current as provided in this lease, the lessor may without notice to the lessee, shut off and discontinue the supply of electric current for light and power in said premises, and such act of shutting off the electric current shall not be held or pleaded as an eviction or as a disturbance in any manner whatever of the lessee's possession, or relieve lessee from the payment of rent when due, or vary or change any other provision of this lease, or render the lessor liable for damages of any kind whatsoever. All charges for electric current, as herein provided, shall be paid by the lessee, and the lessor shall be regarded as so much additional rent and payable as rent.

(26) AND THE LESSEE HEREBY CERTIFICATES, COVENANTS AND AGREES THAT HE OR SHE, HIS OR HER ESTATE, HEIRS, ASSIGNS, ATTORNEYS, AGENTS, SUCCESSORS OR ANY COURT IN THE STATE OF ILLINOIS, AT ANY TIME WHEN ANY MONEY IS DUE HEREUNDER FOR RENT AS AFORESAID OR BY VIRTUE OF ANY EXTENSION OR RENEWAL HEREOF, TO WAIVE THE ISSUING OF PROCESS AND SERVICE THEREOF AND TRIAL BY JURY OR OTHERWISE AND TO CONFESE A JUDGMENT OR JUDGMENTS FOR SUCH MONEY SO DUE AND FOR COSTS OF SUIT AND FOR A REASONABLE ATTORNEY'S FEE IN FAVOR OF THE LESSOR, TO BE FIXED BY THE COURT, AND TO RELEASE ALL ERRORS THAT MAY OCCUR OR INTERVENE IN SUCH PROCEEDINGS, INCLUDING THE ISSUING OF PROCESS AND SERVICE THEREOF, AND TO ATTESTATE THAT NO WRIT OF ERROR OR APPEAL SHALL BE PROSECUTED FROM SUCH JUDGMENT OR JUDGMENTS, NOR ANY BILL IN EQUITY FILED, NOR ANY PROCEEDINGS OF ANY KIND TAKEN IN LAW OR EQUITY TO INTERFERE WITH SUCH JUDGMENT OR JUDGMENTS.

(27) Further, the lessor and lessee covenant with each other

(A) That all rights and remedies of the lessor under this lease shall be cumulative, and none shall exclude any other rights and remedies allowed by law.

(B) That the words "lessor" and "lessee" wherever used herein shall be construed to mean lessors and lessees in all cases where there is more than one lessor or lessee, and the necessary grammatical changes required to make the

The obligation of the lessee to pay rent and to perform all the other covenants and agreements of the lessee expressed in this lease shall in no way or respect be affected, modified, impaired, waived or excused by reason of failure or inability of the lessor to furnish, or delay of the lessor in furnishing, any service, or failure or inability of the lessor in making, any repairs, additions, alterations or decorations, or failure or inability of the lessor to furnish, or delay of the lessor in furnishing, any equipment, or failure or inability of the lessor to furnish, made or supplied by the lessor hereunder, where such failure, inability or delay shall be caused or occasioned

provision and any other provisions of this lease, then the terms of this provision shall prevail.

and all times thereafter to enforce a prompt and strict compliance with the terms of this lease regardless of any and all former acts of forbearance or failure to insist upon a prompt or strict compliance with any of the terms, covenants and conditions of this lease.

(24) In every case where under the provisions of this lease it shall be necessary or desirable for the lessor to give to or serve upon the lessee any notice or demand it shall be sufficient either (1) to deliver or cause to be delivered

pay to the lessor for such electric current consumed and measured by meter, installed by the lessor, at the rate customary in the building. The charge for electric current shall be due and payable on or before the tenth day of the month following the period for which the charge is made; and in case the lessee shall fail to make payment for electric current as in this clause provided, or in case the lessee shall be in default under any other provisions of this lease, the lessor may without notice to the lessee, shut off and discontinue the supply of electric current for light and power in said premises, and such act of shutting off the electric current shall not be held or pleaded as an eviction or as a disturbance in any manner.

(26) And the lessee hereby irrevocably constitutes and appoints any attorney of any court of record to be his true and lawful attorney, for him and in his name and stead to enter his appearance in any suits that may be brought in court in the State of Illinois, at any time when any money is due hereunder for rent as aforesaid or by virtue of any extension or renewal hereof, to waive the issuing of process and service thereof and trial by jury or otherwise and to execute and do all such acts and things as may be required of him in and to the said suits.

(27) Further, the lessor and lessee covenant with each other

(C) Each of the provisions of this lease shall extend to, and shall, as the case may require, bind or inure to the benefit not only of the lessor and of the lessee, but also of their respective heirs, legal representatives and assigns in the event that this lease shall be assigned with the written consent of the lessor.

The obligation of the lessee to pay rent and to perform all the other covenants and agreements of the lessee expressed in this lease shall in no way or respect be affected, modified, impaired, waived or excused by reason of failure

The lessee expressly waives any claim or claims for loss, damage or rental abatement that lessee may or might have or claim to have arising out of any such failure, inability or delay. In the event there is any conflict between provisions and any other provisions of this lease, then the terms of this provision shall prevail.

208 South La Salle St. Corporation

Lessor By [Signature] Vice President [Signature] Seal

George W. Dond,

Lessee	
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NOTICE: LESSEE SHOULD SIGN NAME IN FULL AS WRITTEN IN THE BODY OF THIS LEASE. THIS LEASE IS NOT VALID OR EFFECTIVE UNLESS SIGNED BY THE PRESIDENT OR VICE PRESIDENT AND SECRETARY OF THE 208 SOUTH LA SALLE ST. CORPORATION



(134C)

## RULES AND REGULATIONS

(Applicable only to the premises demised by the within lease and to the lessee thereof.)

Rule 1. No sign, picture, advertisement, or notice shall be displayed, inscribed, painted or affixed on any part of the outside or inside of said building, or on or about the premises hereby demised, except on the glass of the doors and windows of said premises and on the Directory Board of the Building, and then only of such color, size, style and material as shall be first specified by the lessor in writing on this lease. No "For Rent" signs shall be displayed by the lessee, and no showcases, or obstructions, signs, flags, barber poles, statuary, or any advertising device of any kind whatever shall be placed in front of said building or in its passageways, halls, lobbies or corridors thereof by the lessee; and the lessor reserves the right to remove all such showcases, obstruction, signs, flag, barber poles, statuary, or advertising devices and all signs other than those provided for, without notice to the lessee and at his expense. No newspaper, magazine or other advertising is to be done from the said premises, or referring to the said premises, unless the same is first approved by the lessor, or its agent, and any breach of this covenant shall be restrainable by injunction.

Rule 2. The tenant shall not (without the lessor's written consent) put up or operate any steam engine, boiler, machinery or stove upon the premises, or carry on any mechanical business thereon, or do any cooking thereon, or use or allow to be used upon the demised premises oil, burning fluids, camphene or kerosene for heating, warming or lighting, or anything (except gas or incandescent electric lights, and those only of such company or companies as may be supplying the building) for illuminating said premises. No article deemed extra hazardous on account of fire and no explosives shall be brought into said premises.

Rule 3. No additional locks shall be placed upon any doors of the premises, and the lessee will not permit any duplicate keys to be made (all necessary keys will be furnished by the lessor), but if more than two keys for any door-lock shall be desired, the additional number must be paid for by the lessee. Upon the termination of this lease the lessee shall surrender to the lessor, all keys of the premises and give to the lessor the explanation of the combination of all locks in safes, safe cabinets and vault doors in the premises.

Rule 4. Safes, furniture boxes or other bulky articles shall be carried up into the premises only with written consent of the lessor first obtained, and then only by means of the elevators, by the stairways or through the windows of said building as the lessor may in writing direct, and at such times as the lessor may direct. Safes and other heavy articles shall be placed by the lessee in such places only as may be first specified in writing by the lessor, and any damage done to the building or to tenants or to other persons by taking a safe or other heavy article in or out of the demised premises, from overloading a floor, or in any other manner, shall be paid for by the lessee causing such damage.

Rule 5. Elevator service shall be furnished by the lessor daily from 8:00 A. M. to 11:00 P. M. (Sundays and Holidays excepted).

Heat will be furnished by the lessor daily from 8:00 A. M. to 6:00 P. M. (Sundays and Holidays excepted), whenever, between October 1st and May 1st such heat shall, in the lessor's judgment, be required for the comfortable occupation and use of said premises; but the lessor shall not be liable in damages by abatement of rent, or otherwise, for failure to furnish or delay in furnishing elevator service, heat, electric current, janitor service, or water, when such failure to furnish or delay in furnishing is occasioned by needful repairs, renewals, or improvements, or in whole or in part by any strike, lock-out, or other labor controversy, or by inability to secure coal at the building after reasonable effort to do so, or by any accident or casualty whatsoever, or by the act or default of the lessee, or other parties, or by any cause or causes beyond the reasonable control of the lessor; nor shall the lessor be liable for any act or default of the janitors, or other employees not authorized by the lessor; and such failure, delay, or default in furnishing elevator service, heat, janitor service, or water, or any unauthorized act or default of the janitors, or employees shall not be considered or construed as an actual or constructive eviction of the lessee, nor shall it in any way operate to release the lessee from the prompt and punctual performance of each and all of the other covenants herein contained by the lessee to be performed.

Rule 6. The lessor shall furnish janitor service in said demised premises, but any and all electric current used in the performance of janitor service, and also in making repairs and alterations in said premises during the term of this lease shall be at the expense of the lessee.

No person shall be employed by the lessee to do janitor work in said demised premises, and no persons, other than the janitors of said building, shall clean said premises, unless the lessor shall endorse on this lease his written consent thereto.

Any person employed by the lessee, with the lessor's consent as aforesaid, to do janitor work, shall, while in said building and outside of said demised premises, be subject to, and under the control and direction of the Superintendent of said building (but not as agent or servant of said superintendent or of the lessor).

Rule 7. The lessor and his agents may retain a pass key to the premises and shall have the right to enter the demised premises at all reasonable hours for the purpose of examining or exhibiting the same, and may place and keep on the windows and doors of said premises at any time signs advertising the premises for rent.

Rule 8. The lessor, and his agents, shall have the right to enter the demised premises at all reasonable hours for the purpose of making any repairs, alterations, or additions which he or they shall deem necessary for the safety, preservation, or improvement of said premises or said building, and the lessor shall be allowed to take all material into and upon said premises that may be required to make such repairs, improvements, and additions, or any alterations for the benefit of the lessee without in any way being deemed or held guilty of an eviction of the lessee; and the rent reserved shall in no wise abate while said repairs, alterations, or additions are being made; and the lessee shall not be entitled to maintain a set-off or counter-claim for damages against the lessor by reason of loss or interruption to the business of the lessee because of the prosecution of any such work. All such repairs, decorations, alterations, additions and improvements shall be done during ordinary business hours, or, if any such work is at the request of the lessee to be done during any other hours, the lessee shall pay for all overtime.

Rule 9. If the lessee desires awning or shades, either inside or outside of the windows, they must be furnished, installed and maintained at the expense of the lessee and at his risk, and must be of such shape, color, material, quality, design and make as may be prescribed by the lessor.

Rule 10. If the lessee desires telegraphic or telephonic connections, or the installation of any other electric wiring, the lessor will, upon receiving a written request from the lessee, direct the electricians as to where and how the wires are to be introduced and run, and without such directions no boring, cutting or installation of wires will be permitted. The lessee shall not install any radio antennae connected to said building either inside or outside the demised premises.

Rule 11. The lessee shall not allow anything to be placed against or near the glass in the partitions, between the premises leased and the halls or corridors of the building, which shall diminish the light in, or prove unsightly from, the halls or corridors.

Rule 12. No electric current, intended for light or power purposes, shall be used by the tenants, excepting that furnished or approved by the lessor; nor shall electric or other wires be brought into the premises except upon the written consent and approval of the lessor.

Rule 13. The lessee when closing his office for business, at any time, shall see that all awnings are pulled up and windows closed, thus avoiding possible damage from fire, storms, rain or freezing.

Rule 14. The lessee shall not allow anything to be placed on the outside window ledges of the premises, nor shall anything be thrown by the lessee, or his employees, out of the windows of the building; nor shall they undertake to regulate the thermostats, if any, which control the heat.

Rule 15. Water on the said premises shall not be wasted by the lessee or his employees by tying or wedging back the faucets of the wash bowls or otherwise.

Rule 16. No bicycle or other vehicle, and no animal shall be brought into the offices, halls, corridors, elevators or any other parts of said building, by the lessee, his agents or employees.

Rule 17. Ice, mineral water, towels and toilet supplies shall be obtained by the said lessee only from such persons as may be satisfactory to the lessor.

Rule 18. No person shall disturb the occupants of this or any adjoining building or premises by the use of any musical instrument, unseemly noises, whistling, singing or in any other way.

Rule 19. The premises leased shall not be used for lodging or sleeping, nor for any immoral or illegal purposes or for any purpose that will damage the premises.

Rule 20. The lessor reserves the right to make such other and further reasonable rules and regulations as in his judgment may from time to time be needful for the safety, care and cleanliness of the premises, and for the preservation of good order therein, and any such other or further rules and regulations shall be binding upon the parties hereto with the same force and effect as if they had been inserted herein at the time of the execution hereof.

## GUARANTY

IN CONSIDERATION of the execution of the within lease by the lessor, at the request of the undersigned and on the faith of this guaranty, I do hereby guarantee the payment of the rent by said lease reserved by the said lessee and the performance by said lessee of all the covenants and agreements of said lease, and the undersigned will pay all the lessor's expenses, including reasonable attorney's fees, incurred in enforcing the obligations of the lessee under said lease or incurred in enforcing this guaranty. The lessor's consent to assignment and the assignment or assignments and successive assignments by lessee and assigns of this lease made either with or without notice to the undersigned or a changed or different use of the premises shall in no wise or manner release the undersigned from liability to the lessor.

WITNESS the hand and seal of the undersigned at the date of the within lease.

(2318)

Seal  
Seal

[fol. 232]

## PLAINTIFFS' EXHIBIT 5

## OPERATOR CONTRACT

*Parties*

This contract, made and entered into, by and between Checks, Incorporated, a Minnesota Corporation, with its principal place of business in the City of Minneapolis, State of Minnesota, hereinafter called the Proprietor, and Bondified Systems, Inc., a Minnesota Corporation, duly licensed to operate in the State of Illinois, with its principal place of business in the City of Chicago, Illinois, hereinafter called the Operator,

Witnesseth:

*Ownership*

That whereas, the Proprietor owns the exclusive right to the printing and sale of "Bondified" Post Card Checks and "Bondified" Money Orders, a duly copyrighted and state-registered media for the transfer of money.

*Plan of Operation*

And Whereas, the Proprietor has agreed to grant to the Operator an exclusive license to distribute said "Bondified" Post Card Checks and "Bondified" Money Orders to the public directly and through duly licensed morally and financially responsible agencies appointed by the Operator in the territory including the City of Chicago, and the normal greater metropolitan trading area of Chicago, as follows:

A. In the State of Illinois, the territory bounded by U. S. Highway Thirty (30) as the South Boundary thereof, from the Indiana State Line through and including Chicago Heights, Joliet and Aurora; then North along Illinois State Highway Thirty-one (31) as the West Boundary of said territory, through and [fol. 233] including Aurora, Batavia, Geneva, St. Charles, Elgin, Dundee, Algonquin, McHenry and Richmond; and then East along the Wisconsin State Line as the North Boundary of said territory; and then South along the shore of Lake Michigan to the Indiana State Line and South along the Indiana State



Line to U. S. Highway Thirty (30) as the East Boundary of said territory.

B. In the State of Indiana, the cities of Hammond, Whiting, East Chicago, Gary, Michigan City, Valparaiso and Hobart and other territory included in the Counties of Lake, Porter and LaPorte.

Such right of distribution shall continue as long as the Operator shall put forth diligent effort to produce and maintain active agents for the sale of "Bondified" Post Card Checks and "Bondified" Money Orders. This license shall not be applicable to or binding on the licensing and sale of "Bondified" Post Card Checks and "Bondified" Money Orders to and through Banks (either State or National) in the same territory; and shall be upon the following conditions.

1. The Operator corporation agrees to have an authorized capitalization of not less than \$40,000, with not less than \$40,000 paid in. Out of the proceeds from the sale of said stock, the earmarked bank account hereinafter referred to, shall be established, and the balance used as working capital:

2. The Operator shall have the right to purchase and resell "Bondified" Post Card Checks and "Bondified" Money Orders through morally and financially responsible Agencies appointed by the Operator, and to grant to such Agencies the right to offer such media to the public.

[fol. 234] 3. The Operator shall purchase such "Bondified" Post Card Checks and "Bondified" Money Orders from the Proprietor and the Proprietor agrees to sell "Bondified" Post Card Checks and "Bondified" Money Orders to the Operator for the price of \$.0155 each (\$15.50 per M) and triplicate snap out "Bondified" Money Orders at current quantity prices as shown on attached price sheet Exhibit A. Page 100 A. The operator agrees to contract for all "Bondified" Money Orders and Post Card Checks in total quantities to be used in each twelve month period, payment to be made at time of delivery.

4. The Operator agrees that it will offer such media for sale and to sell them to the public for the face

amount for which they shall be issued, plus a fee therefore as follows:

From \$	0.01	to \$	5.00	10 cents
From	5.01	to	10.00	15 cents
From	10.01	to	50.00	25 cents
From	50.01	to	100.00	35 cents
\$100.00 or more, same schedule of rates applies.				

5. The Operator agrees to establish and maintain a separate earmarked bank account or accounts in a bank approved by the Proprietor, which bank is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System, upon which the checks issued by each agent of the Operator shall be drawn. The Operator agrees to maintain a free balance of Ten Thousand Dollars (\$10,000.00) in said account, until such time as a free balance shall accrue in said account, in an amount satisfactory to the Proprietor.

6. The face amount of the checks and money orders issued by the Operator or any of its agencies shall be deposited in such account, after such checks and money orders have been issued, and not later than the eighth [fol. 235] business day and shall remain on deposit until all such checks and money orders have been presented for payment or have become outlawed by the Statute of Limitations of the state in which they are issued. It shall be the duty and obligation of the Operator to see that these provisions are complied with, and to keep sufficient funds on deposit at all times to pay all outstanding checks and all bank charges that may be made by the depository bank for handling such account.

7. Of the total of the fees collected for the sale and use of the "Bondified" Post Card Checks and "Bondified" Money Orders, 40% shall be retained by the agent issuing said checks and money orders and 60% shall be remitted to the Operator.

8. All records of the Operator, its agents and the bank account or bank accounts opened and maintained for the deposit of funds, as herein provided shall be open for inspection by the Proprietor at all times. Op-

erator shall furnish operating statement and financial statement in form satisfactory to Proprietor at least once a month, immediately after the close of the month's business.

9. The Operator shall require each Agent to furnish a Surety Bond in the sum of One Thousand Dollars (\$1,000.00) or more, conditioned upon the honest handling and accounting for all funds coming into the hands of such agent as such. Such bond shall be written only in a Corporate Surety Company licensed by the State of Minnesota and/or the State of Illinois, to write Fidelity and Surety Bonds, and be approved by the Proprietor.

10. The Operator agrees to secure from each agent, a written agreement in triplicate, in form satisfactory to the Proprietor, one copy to be furnished to Proprietor [fol. 236] within six (6) days. If such agreement is at any time cancelled or abandoned, the Operator agrees to notify the Proprietor of such cancellation or abandonment within six (6) days.

#### *Copies or Duplications*

Since the Proprietor is the sole owner of the general plan, together with all the instruments, the Operator agrees not to reproduce in whole or in part any of the printed material or instruments, supplies, envelopes, order blanks, or any paper product or advertising unit carrying the legend "Bondified", including advertising copy, in connection with the general plan, except upon written authorization of the Proprietor; and the Operator agrees to purchase all printed material, supplies and check-writing equipment only from the Proprietor.

#### *Right to Change Fees*

The Proprietor reserves the right to require the Operator to change the schedule of rates and fees only if conditions reasonably justify such change.

#### *Advertising*

The Operator agrees to carry on a promotional and advertising campaign in the territory served by its agents.



and to spend not less than five (5%) per cent of gross fees for that purpose. All advertising copy for radio, television, newspaper, magazine or any other type of advertising or promotion by the Operator or any of its agents, shall first be approved by the Proprietor in writing.

#### *Mailing List*

The Operator agrees not to sell, exhibit, give, or surrender to anyone whomsoever, a mailing list secured or obtained from the cancelled "Bondified" Post Card Checks and/or "Bondified" Money Orders.

#### [fol. 237] *Performance Bond*

The Operator agrees that as a condition precedent to the operation of the plan in its territory, it will furnish and pay for an Indemnity Bond in the penal sum of Ten Thousand Dollars (\$10,000.00), running in favor of the Depository Bank, which bond shall be conditioned that the Operator will at all times have on deposit in the Depository Bank, sufficient funds so that the Depository Bank will promptly pay any such "Bondified" Post Card Check or "Bondified" Money Order in the amount issued by the Operator or its licensed agents, and duly and timely presented in the due course of business in the amount originally issued but not in excess of One Hundred Dollars (\$100.00). In lieu of the foregoing bond, the Operator may deposit in any bank satisfactory to the Proprietor, Ten Thousand Dollars (\$10,000.00) in cash for a like purpose to that referred to in the aforementioned bond.

#### *Duration*

This agreement shall remain in force and effect for a period of Five (5) Years from the date hereof, unless sooner terminated by mutual consent of the parties, with the option to the Operator to renewal for successive Five (5) Year terms, indefinitely. The Operator hereby agrees to exert diligent bona fide efforts to produce business which is commensurate with the population of the area in which it operates.

### *Cancellation Clause*

Should the Operator misappropriate any funds collected for the purpose of paying "Bondified" Post Card Checks and/or "Bondified" Money Orders, or fail to deposit such funds in due course into the properly earmarked bank account [fol: 238] count, or otherwise fail for any reason to carry out all of the terms of this contract, the Proprietor may cancel this license immediately, and assume control of the operation of the plan, and collect any and all funds due from agents in the territory, and all supervision of the plan shall promptly be surrendered to the Proprietor or its duly authorized agent. In event of such cancellation, the Operator will promptly surrender all unused "Bondified" Post Card Checks and Money Orders and material incidental to the operation of the plan. The Proprietor, by assuming such control of the plan as aforesaid, cannot be construed to release the Operator from any liability by reason of the misappropriation of any funds collected for the purpose of paying "Bondified" Post Card Checks or "Bondified" Money Orders.

### *Corporate Name*

Provided, further, that should this contract be terminated for any reason, that the corporate name of the Operator shall forthwith become the exclusive property of the Proprietor; that the Operator will not subsequent thereto use said corporate name in the transaction of any other business except under this or in subsequent license issued by the Proprietor and will promptly take such necessary steps as may be required to completely abandon and surrender to the Proprietor the name of Bondified Systems, Inc.

### *Right of Assignment*

It is hereby specifically understood and agreed that at the present time, and so long as agreeable to the Proprietor, the Operator shall have the right to assign any and all license and other rights under this Operator Contract to a partnership to be organized under the laws of the State of Illinois, of which the partners shall be J. Wesley Carlson, Donald Q. McDonald and George W. Doud, and which shall do business under the name and style of "Bondified Sys-

tems", provided, however, that if said rights shall be so assigned to said partnership and said partnership shall commence operations thereunder, then any and all provisions [fol. 239] of this Contract, including capitalization, earmarked bank account, prices, rates, Agent Agreements and all other provisions of this Contract shall be binding with full force and effect upon said assignee the same as though said assignee were a party hereto, and it is further understood and agreed that the Operator shall have no other right of assignment of this Contract other than as provided in this paragraph.

Dated at Minneapolis, Minnesota, this 6th day of August, 1953.

In the presence of:

Checks, Incorporated. By E. H. Dalldorf, Its President, W. B. ———, Mildred E. Miller, Corporate Seal. Bondified Systems, Inc., By George W. Doud, Its President, Donald Q. McDonald, J. Wesley Carlson, Corporate Seal. Attest: ———

"Bondified" Reg. U. S. Pat. Off.

[fol. 240] SUPPLEMENT TO OPERATOR CONTRACT

Checks, Incorporated, as Proprietor, and Bondified Systems, Inc., as Operator, hereby agree to the following amendment of the Operator Contract between them dated 6th day of August, 1953.

It is mutually agreed between the Proprietor and the Operator that the basic commission for Agents of 46% of fees shall be supplemented by a bonus plan payable every six months, subject to the following conditions:

"1. Any "Bondified" Agent willing to report and remit daily on an average monthly production of 500 "Bondified" Money Orders and/or Post Card Checks sold for a total of not less than 3,000 volume in number for a six-month period will earn a bonus com-



mission of 10% of his earnings commission of 40% of fees for that six-month period.

"2. Any "Bondified" Agent willing to report and remit daily on an average monthly production of 1,000 "Bondified" Money Orders and/or Post Card Checks sold for a total of not less than 6,000 volume in number for a six-month period will earn a bonus commission of 25% of his earnings commission of 40% of fees for that six-month period.

"3. The above bonus commissions shall be void and not payable to any Agent who:

"A. Withholds daily reporting and remittance for any day or days in a six-month period.

[fol. 241] "B. Remits with Not Sufficient Funds check on any day in six-month bonus period.

"4. Agent to qualify for this bonus must be an authorized "Bondified" Agent in good standing at the time bonus is paid.

"5. Bonus may be paid any time within a thirty-day period following the six-month bonus period.

"6. Bonus periods shall be January 1st to June 30th and July 1st to December 31st each year."

Dated at Minneapolis, Minnesota, this 6th day of August 1953.

Checks, Incorporated By E. H. Dollidoz, Its President.

In the presence of: (signature illegible), Mildred E. Miller.

Corporate Seal

Bondified Systems, Inc., By George W. Doud, Its President. Donald Q. McDonald, J. Wesley Carlson.

Corporate Seal

Attest: H. B. Mackenzie.

"Bondified" Reg. U. S. Pat. Off.

[fol. 242]

## PLAINTIFFS' EXHIBIT 6

## ASSIGNMENT OF LICENSE

This Agreement, made in the City of Chicago, State of Illinois, on August 15, 1953, by Bondified Systems, Inc., a Minnesota corporation, having its principal place of business at 208 South LaSalle Street, Chicago, Illinois, hereinafter termed the "Corporation" and Donald Q. McDonald, George W. Doud, and J. Wesley Carlson, Copartners, doing business as Bondified Systems, a limited partnership having its principal place of business at 208 South LaSalle Street, Chicago, Illinois, and hereinafter termed the "Partnership."

Witnesseth: Whereas, under date of August sixth, 1953, a license was duly granted to the Corporation by Checks, Incorporated, a Minnesota corporation, granting authorization to the Corporation to sell, issue and distribute "Bondified" Post Card Checks and "Bondified" Money Orders to the public directly and through duly licensed, morally and financially responsible agencies appointed by the Corporation in the City of Chicago and the normal greater metropolitan trading area of Chicago; and

Whereas, the aforesaid license contemplates and permits the assignment by the Corporation of all rights granted therein to a partnership organized in the manner in which the partnership a party to this agreement is organized, upon all the terms and conditions attached to and contained in said Right of Assignment; and

Whereas, the Corporation has agreed to assign to the Partnership all rights under said License Agreement for the territory hereinafter stated and upon the terms and conditions hereinafter stated:

[fol. 243] Now, Therefore, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged. It Is Mutually Agreed By and Between the Parties Hereto as Follows:

1. The Corporation hereby assigns to the Partnership the full and complete right to sell, issue and distribute



"Bondified" Post Card Checks and "Bondified" Money Orders to the public directly and through duly licensed morally and financially responsible agencies appointed by the Partnership in the territory as follows:

That territory in the State of Illinois bounded by U. S. Highway Thirty (30) as the South Boundary thereof, from the Indiana State Line through and including Chicago Heights, Joliet and Aurora; then North along Illinois State Highway Thirty-one (31) as the West Boundary of said territory, through and including Aurora, Batavia, Geneva, St. Charles, Elgin, Dundee, Algonquin, McHenry and Richmond; and then East along the Wisconsin State Line as the North Boundary of said territory; and then South along the shore of Lake Michigan to the Indiana State Line and South along the Indiana State Line to U. S. Highway Thirty (30) as the East Boundary of said territory.

2. The term of this License Agreement shall be effective from August 15, 1953 to and including August 14, 1958, unless the Partnership shall sooner terminate, in which case the assignment herein granted shall also cease and terminate as of the earliest date of termination of said Partnership.

3. The Partnership agrees to have an authorized capital contribution of not less than Thirty-six Thousand Dollars [fol. 244] (\$36,000.00) in partnership capital contribution, the sum of Ten Thousand Dollars (\$10,000.00) shall be set aside and established as an "earmarked" bank account termed the "Bondified" Account, to be used as specified in the basic Operator Contract hereinafter referred to, and the balance of said capital contribution shall be used as working capital.

4. It is specifically understood and agreed that all rights assigned by the Corporation to the Partnership hereunder arise in and through that Operator Contract, made and entered into on August , 1953, by and between the Corporation and Checks, Incorporated, a Minnesota corporation, an authenticated copy of which contract is in possession of the Partnership and is incorporated herein by reference, and the license herein granted to the Partnership shall be subject to all terms, provisions, conditions, obligations and

limitations created by and contained in said Operator Contract (except for the amount of capitalization heretofore specified in No. 3 above), and the Partnership shall have, for the territory herein above stated all rights granted by the Corporation, and is hereby authorized by the Corporation to act as the Operator as provided in said Operator Contract, for the territory herein above stated.

5. It is hereby understood and agreed by and between the parties that the Corporation expects and intends the operation under its own name, under the aforesaid Operator Contract in the territory in Northwest Indiana, granted to it under said Contract, and as an expressed condition of this assignment, the Partnership hereby agrees to make the necessary arrangements with the Bank becoming depository of the "earmarked" "Bondified" Fund to be established by the Partnership for the clearing of all "Bondified" Post Card Checks and "Bondified" Money Orders sold and distributed by the Corporation or by its duly authorized [fol. 245] agents in said territory in Indiana, provided, however, that the corporation shall promptly remit to the Partnership for deposit the full amount of all remittances received by it from its duly authorized agents, said remittances in any event not later than eight (8) days after the issuance of such checks or money orders; and it is further agreed by and between the parties hereto that the Partnership shall return to the corporation one-half of the fee portion of said remittances, and shall retain for itself the remainder of said fee portion of said remittances.

6. The rights granted to the Partnership under this assignment shall not be grantable or assignable in any way by said Partnership, but may be used and exercised by said Partnership only, for the term herein granted or for such portion thereof as said Partnership may continue to exist and operate as now organized.

7. This Agreement has been executed under and shall be construed and interpreted in accordance with the Laws of Illinois and shall bind the parties hereto, and their respective successors, heirs, executors, administrators and assigns. [fol. 246] In Witness Whereof, the Corporation has caused this assignment to be executed by its President, and its Corporate Seal affixed and attested by its Secretary, all as

thereunto duly authorized by the Directors of said Corporation, and the partners of the Partnership have hereunto set their hands and seals, at the place and as of the day and year first above written.

Bondified Systems, Inc., By George W. Doud, President. Donald Q. McDonald, George W. Doud, J. Wesley Carlson, Individually and as copartners, doing business as Bondified Systems.

Corporate Seal.

Attest: Harold B. Mackenzie, Secretary, Assignor.  
"Bondified" Reg. U. S. Pat. Off.



BOND No. 61-158-53

# ANCHOR

## CASUALTY COMPANY

SAINT PAUL, MINNESOTA  
A STOCK COMPANY

The ANCHOR CASUALTY COMPANY (herein called Company) in consideration of the agreed premium(s) and subject to the General Conditions of this Bond and the Terms and Limitations expressed in its Insuring Agreements, hereby agrees

To indemnify BONDIFIED SYSTEMS, INC. AND/OR BONDIFIED SYSTEMS

Address 208 SOUTH LASALLE STREET, CHICAGO, 4, ILLINOIS

(hereinafter called Insured) against loss(es) by reason of the occurrence during the Bond Period of any of the casualties or events mentioned in such Insuring Agreements.

### —DECLARATIONS—

Coverage	Limit of Liability	Effective Date
<b>A. PRIMARY COMMERCIAL BLANKET BOND</b>	\$10,000.00	OCTOBER 6, 1953
Specific Excess Indemnity		
<b>B. BLANKET POSITION BOND</b>		
Specific Excess Indemnity		
<b>C. NAME SCHEDULE BOND</b>		
Name and Position	Location	
<b>D. POSITION SCHEDULE BOND</b>		
Position	Location	
<b>E. BROAD FORM MONEY AND SECURITIES</b> —Within the Premises	\$ 1,500.00	OCTOBER 6, 1953
<b>F. BROAD FORM MONEY AND SECURITIES</b> —Outside the Premises	\$ 1,500.00	OCTOBER 6, 1953
<b>G. SAFE DEPOSIT BOX</b>	\$ 1,500.00	OCTOBER 6, 1953
<b>H. DEPOSITORS FORGERY</b>	\$ 5,000.00	OCTOBER 6, 1953
<b>I. OPEN STOCK BURGLARY</b>		
Coinurance amount \$		
Coinurance Percentage		
<b>J. ENDORSEMENT No.</b>		

UNITED STATES DISTRICT COURT NORTHERN DISTRICT  
OF ILLINOIS EASTERN DIVISION - BEFORE JUDGE HOFFMAN

IDENT. REC'D.

EVERETT E. WYNGER, OFFICIAL COURT  
REPORTER NO.

530232

Signed, sealed and dated this 6TH day of NOVEMBER 19 53

ANCHOR CASUALTY COMPANY

By J. M. Smith

(Attorney-in-Fact)



## GENERAL CONDITIONS

## Policy Period

1. The Bond Period begins at noon of the date hereof and ends at noon of the effective date of the cancellation of this Bond, as hereinafter provided. If, subsequent to the beginning of the Bond Period, any Insuring Agreement is added to this Bond by mutual agreement, then, the effective date of such Insuring Agreement shall be the beginning of the Bond Period with respect thereto, and if, prior to the cancellation of this Bond, any Insuring Agreement is cancelled, as hereinafter provided, then noon of the effective date of the cancellation of such Insuring Agreement shall be the end of the Bond Period with respect thereto.

## Ownership of Insured Property

2. The Money, Securities, and other property covered by any Insuring Agreement shall be owned by the Insured or as respects which the Insured is legally liable, or held by the Insured in any capacity whether or not the Insured is liable for the loss thereof.

## Limit of Liability

3. The limit(s) of the Company's liability as expressed in The Declaration shall not be

## Not Cumulative

(a) cumulative from year to year, or period to period, regardless of the number of years such Insuring Agreement continues in force or the number of premiums payable or paid,

## Not Increased by More Than One Insured

(b) increased by the inclusion herein of, or by reference herein to, more than one party or interest as the Insured, the one first named being deemed the named Insured and authorized agent of the others for all purposes of this Bond; and if the named Insured ceases to be covered hereunder the one next named shall thereafter be deemed the named Insured.

## Other Insurance

(c) greater on account of any loss than the proportion of the amount of the applicable indemnity hereunder bears to the total of all applicable and collectible insurance carried by the Insured, unless otherwise stated in the Insuring Agreement applying to such loss.

## What the Insured Shall Do

4. With respect to any loss or occurrence or event against which the Insured, or any other party in interest, is insured hereunder, the Insured, or such other party in interest, is insured hereunder, the Insured, or such other party in interest,

## Discovery Period

(a) shall discover such loss or occurrence or event prior to the expiration of 2 years from the effective date of the cancellation of this Bond or from the effective date of the cancellation of the Insuring Agreement applying to such loss or occurrence or event, whichever shall first occur, and

## Give Notice of Loss

(b) shall, within 15 days after such discovery, so notify the Company in writing; and in the case of any claim against the Insured which, if established, would constitute a loss sustained under the terms of any Insuring Agreement, shall forward to the Company every demand, summons, or other process received by either of them, and shall, at the Company's request and expense, cooperate with the Company by attending hearings and trials, and assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and otherwise in the conduct of suits, and shall in no way acknowledge or admit any liability on account of any claim, nor settle any claim or suit, nor incur any expenses, without the consent of the Company, and

## File Proof of Loss

(c) shall, within four months after determining the amount of any loss, submit to the Company an itemized proof of loss duly sworn to, and

## Subrogation Salvage

(d) shall, when requested, subrogate the Company to all of their rights of recovery on account and to the amount of any loss paid by the Company, and cooperate, at the Company's expense, in securing such rights, but if any loss exceeds the limit of the Company's liability on account of such loss, the Insured shall be entitled to all recovery thereon until fully reimbursed.

# INSURING AGREEMENT "A"

## COMMERCIAL BLANKET BOND

The Company agrees to indemnify the Insured for any loss of money, securities, or other property, real or personal (including that part of any inventory shortage which the Insured shall conclusively prove has been caused by the dishonesty of any Employee or Employees) belonging to the Insured or in which the Insured has a pecuniary interest, or for which the Insured is legally liable, or held by the Insured in any capacity whether the Insured is legally liable therefor or not, which the Insured shall sustain through any dishonest or fraudulent act(s) committed anywhere during the term of this Agreement and while this Agreement is in force, alone or in collusion with others, by any Employee or Employees causing such loss to an amount not exceeding in the aggregate the sum shown under coverage "A" of the Declarations, and to include, but without limitation to the foregoing:

- Former Employees** : (a) Loss which any Employee shall cause by any dishonest or fraudulent act(s) committed during the first 30 days after leaving the regular service of the Insured, unless this Bond shall have been cancelled as an entirety or coverage on such Employee shall have been terminated as herein set forth, provided, however, that at the time of leaving such Employee was covered by this Agreement; and
- Loss Caused by Unidentified Employees** : (b) Loss alleged to have been caused by the fraud or dishonesty of one or more of the Employees where the Insured is unable to designate the specific Employee or Employees causing such loss, provided the evidence submitted reasonably (in the case of inventory shortage, conclusively) establishes that the loss was in fact due to the fraud or dishonesty of one or more of said Employees and provided further that the aggregate liability of the Company for any such loss shall not exceed the Limit of Liability applicable to this Insuring Agreement.

### Conditions and Limitations:

- Merger or Consolidation** : If any natural persons shall be taken into the regular service of the Insured through merger or consolidation with some other concern, the Insured shall give the Underwriter written notice thereof and shall pay an additional premium on any increase in the number of Employees covered under this bond as a result of such merger or consolidation computed pro rata from the date of such merger or consolidation to the end of the current premium period.
- Definition of Employee** : The word Employee or Employees, as used in this Agreement, shall be deemed to mean, respectively, one or more of the natural persons (except directors or trustees of the Insured, if a corporation; who are not also officers or employees thereof in some other capacity) while in the regular service of the Insured in the ordinary course of the Insured's business during the term of this bond, and whom the Insured compensates by salary, wages and/or commissions and has the right to govern and direct in the performance of such service, and who are engaged in such service within any of the States of the United States of America, or within the District of Columbia, the Hawaiian Islands, Alaska, Puerto Rico, the Virgin Islands, Canada or Newfoundland, or elsewhere for a limited period, but not to mean brokers, factors, commission merchants, consignees, contractors, or other agents or representatives of the same general character.
- Termination of Coverage** : Coverage on any Employee terminates: (a) as soon as the Insured, or any officer or partner thereof not in collusion with such Employee learns of any dishonest or fraudulent act committed by such Employee, without prejudice to loss of any property then in transit in the custody of such Employee, or, (b) on the 30th day after a written notice be served upon the Insured; or, if sent by mail, not less than 30 days after the date of mailing.

Countersigned at **MINNEAPOLIS, MINNESOTA**

On the **6TH** day of **NOVEMBER**, 19**53**

By *[Signature]*  
Resident Agent

*[Signature]*  
President

*[Signature]*  
Secretary

### EXCESS INDEMNITY ENDORSEMENT

1. It is agreed that, subject to the terms of the bond to which this endorsement is attached, the amount of excess indemnity on the Employees performing the duties of the following positions shall be the amount set opposite the names of such positions, respectively. It is further agreed that the amount of such excess indemnity shall apply only to so much of any loss or losses sustained through any fraudulent or dishonest act or acts committed after such excess indemnity becomes effective as are in excess of the amount recoverable or recovered on account of such loss or losses under said bond.
2. It is further agreed that the liability of the Underwriter under this endorsement on account of any one Employee in any one or more of such positions (in the original or an increased or decreased amount) shall not exceed the largest single amount of indemnity on any one position occupied by such Employee.
3. It is further agreed that no excess losses shall be recoverable under this endorsement unless caused by an Employee who has been identified as having caused such loss, anything to the contrary in said bond or this Endorsement notwithstanding.

POSITIONS	LOCATION	TOTAL NUMBER OF EMPLOYEES IN EACH LOCATION	AMOUNT OF EXCESS INDEMNITY ON EACH EMPLOYEE
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**INSURING AGREEMENT "E"**  
**MONEY AND SECURITIES**  
**WITHIN PREMISES**

The Company agrees to indemnify the Insured for any loss of money and securities occurring within the premises and caused by the actual destruction, disappearance or wrongful abstraction thereof; and for any loss of other property or damage thereto (except by fire) caused by Robbery or Safe Burglary, or attempt thereof, within any of the premises, and damage (except by fire) to a locked cash register, cash drawer or cash box in the Premises caused by a felonious entry into such container, or attempt thereof; and for all damage (except by fire) to such Premises likewise caused, or caused by Robbery or Safe Burglary or by burglarious entry or attempt thereof into such Premises.

The sum as stated in coverage "E" of the Declarations shall be available for each loss covered by this Agreement and such sum shall be the company's total liability for any loss(es) in respect to any one casualty or event.

**Conditions and Limitations**

**Definitions**

As used in this Agreement:—"Money" means only currency, coin, bank notes, and bullion; "Securities" means all negotiable and non-negotiable instruments or contracts representing either money or other property, and includes revenue and other stamps in current use but does not include Money, manuscripts, records or accounts; "Premises" means that portion of the interior of any building(s) which is occupied in whole or in part by the Insured in conducting its business; "Robbery" means the felonious and forcible taking of insured property (a) by violence inflicted upon a Custodian; (b) by putting him in fear of violence; (c) by any other overt felonious act committed in his presence and of which he was actually cognizant, provided such other act is not committed by a partner, officer, or an employee of the Insured; (d) from the person or direct care and custody of a Custodian who has been killed or rendered unconscious by injuries inflicted maliciously or sustained accidentally; (e) from within the Premises by means of compelling a Custodian by violence or threat of violence while outside the Premises to admit a person thereinto or to furnish him with means of ingress into the premises provided such loss shall occur before the Premises are next opened for business; and (f) from within a show window in the Premises while regularly open for business, by a person who has broken the glass thereof from outside the Premises, or by an accomplice of such person; "Custodian" means the Insured or a partner or officer of the Insured, or any employee of and duly authorized by the Insured to have the care and custody of the insured property within the Premises, excluding any person while acting as a watchman, porter or janitor; "Safe Burglary" means the felonious abstraction of the insured property from within a safe or vault located in the Premises (or located elsewhere after removal from the Premises by burglars) by any person or persons making felonious entry into such safe or vault when all doors thereof are duly closed and locked by at least one combination or time lock thereon; provided that such entry shall be made by actual force and violence of which there shall be visible marks made by tools, explosives, electricity, gas or other chemicals, upon the exterior of (a) all of said doors of such safe or vault, if entry is made through such doors, or (b) the top, bottom, or walls of such safe or vault through which entry is made, if not made through such doors.

**Exclusions**

The Company shall not be liable for loss, destruction or damage caused by: (1) war whether declared or not, invasion, insurrection, rebellion, hostilities, revolution, or military or usurped power; (2) any dishonest, fraudulent or criminal act of the Insured or of any officer, employee, partner, director, trustee or authorized representative of the Insured, whether acting alone or in collusion with others; (3) forgery, by whomsoever committed; (4) the giving or surrendering, voluntarily or by reason of any fraudulent trick or device not constituting robbery, of title to, or possession or custody of, any insured property. The insurance under this agreement shall not apply to manuscripts, records or accounts or plate glass or lettering or ornamentation thereon. Exclusion (2) shall not apply to loss, destruction or damage caused by Safe Burglary or Robbery committed by an employee of the Assured.

Countersigned at **MINNEAPOLIS, MINNESOTA**

On the **6TH** day of **NOVEMBER** 19**53**

By *John F. Rubin*  
Resident Agent

*Henry J. Quinlan*  
President

*G. Blomholm*  
Secretary



## INSURING AGREEMENT "F"

### MONEY AND SECURITIES

#### (OUTSIDE PREMISES)

The Company agrees to indemnify the Insured for all loss of Money and Securities occurring outside the Premises and caused by the actual destruction, disappearance or wrongful abstraction thereof while being conveyed by a Messenger within any of the states of the United States of America, the District of Columbia, Alaska, Hawaii, Canada or Newfoundland, Virgin Islands or Puerto Rico; and for all loss of other property or damage thereto, caused by Robbery or attempt thereof outside the Premises while such property is being conveyed by a Messenger within the aforesaid limits.

The sum as stated in coverage "F" of the Declarations shall be available for each loss covered by this Insuring Agreement and such sum shall be the Company's total liability for any loss(es) in respect of any one casualty or event.

#### Conditions and Limitations

##### Definitions

As used in this Agreement:—"Money" means only currency, coin, bank notes, and bullion; "Securities" means all negotiable and non-negotiable instruments or contracts representing either money or other property, and includes revenue and other stamps in current use but does not include Money, manuscripts, records or accounts; "Premises" means that portion of the interior of any building(s) which is occupied in whole or in part by the Insured in conducting its business; "Robbery" means the felonious and forcible taking of insured property (a) by violence inflicted upon a Messenger; (b) by putting him in fear of violence; (c) by any other overt felonious act committed in his presence and of which he was actually cognizant, provided such other act is not committed by a partner, officer or an employee of the Insured; (d) from the person or direct care and custody of a Messenger who has been killed or rendered unconscious by injuries inflicted maliciously or sustained accidentally; "Messenger" means the Insured or a partner or officer of the Insured, or any employee of and duly authorized by the Insured to have the care and custody of the insured property outside the Premises.

##### Exclusions

The Company shall not be liable for loss, destruction or damage caused by (1) war whether declared or not, invasion, insurrection, rebellion, hostilities, revolution, or military or usurped power; (2) any dishonest, fraudulent or criminal act of the Assured or of any officer, employee, partner, director, trustee or authorized representative of the Assured, whether acting alone or in collusion with others; (3) forgery, by whomsoever committed; (4) the giving or surrendering, voluntarily or by reason of any fraudulent trick or device not constituting robbery, of title to, or possession or custody, of any insured property. The insurance under this Policy shall not apply to manuscripts, records or accounts or plate glass or lettering or ornamentation thereon. Exclusion (2) shall not apply to loss, destruction or damage caused by Held Up or Robbery committed by an employee of the Assured.

Countersigned at MINNEAPOLIS, MINNESOTA

On the 6TH day of NOVEMBER 19 53

*John A. Fisher*  
Resident Agent

*Henry J. Guernsey*  
President

*Ger Blomholm*  
Secretary

INSURING AGREEMENT "G"

SAFE DEPOSIT BOX COVERAGE

The Company agrees to indemnify the assured for any loss of Securities caused by the actual destruction, disappearance or wrongful abstraction thereof from within a leased safe deposit box or boxes in any burglar-proof vault in the Premises of the Depository designated herein or from within the said Premises of the Depository while the Securities are temporarily outside the safe deposit box or boxes, excluding all loss caused or contributed to by (1) any dishonest, fraudulent, or criminal act of any employee, director, trustee, or authorized representative of the assured, whether acting alone or in collusion with others, (2) the giving or surrendering of any Securities in any exchange or purchase.

Conditions and Limitations:

The Assured shall keep verifiable records of all property covered by this insuring agreement. The assured shall, for the purpose of determining if any Securities are missing from the safe deposit box or boxes, examine the Securities periodically and in any event at least once every twelve months during the policy period and shall keep an accurate record of each such examination. Whenever the said safe deposit box or boxes are opened the assured or the assured's authorized representative shall close and duly lock all doors thereof before leaving the vault.

"Securities" means all negotiable and non-negotiable instruments or contracts representing either money or other property, and includes revenue and other stamps in current use but does not include money.

Exclusions:

The Company shall not be liable for loss, damage or destruction caused by (1) any act or event as aforesaid, unless committed or occurring within any of the states of the United States of America, the District of Columbia, the Hawaiian Islands, Alaska, Puerto Rico, the Virgin Islands, Canada or Newfoundland; (2) caused by war, whether declared or not, invasion, insurrection, rebellion, revolution, hostilities, or military or usurped power; (3) to manuscripts, records, accounts, plate glass or lettering or ornamentation thereon.

Countersigned at MINNEAPOLIS, MINNESOTA

On the 6TH day of NOVEMBER 1953

By *Jean K. Kuba*  
Resident Agent

*Henry J. Guernsey*  
President

*G. Blomholm*  
Secretary

## INSURING AGREEMENT "H"

### DEPOSITORS FORGERY (OUTGOING INSTRUMENTS)

The Company agrees to indemnify the Insured for its own account and for the account of any of its partners or corporate officers and for the account of any bank or banks in which the Insured, or any such partner or corporate officer, has a checking account or a savings account, as their respective interests may appear, against any losses caused by forgery or alteration of, on, or in any check, draft, bill of exchange, promissory note, or similar written promise, order or direction to pay a sum certain in money, made or drawn by, or drawn upon, or as a direction to, the Insured, or such partner or corporate officer, or made or drawn by one acting as agent of any of them, or purporting to have been made or drawn as hereinbefore set forth, including (A) any check or draft made or drawn in the name of the Insured, or such partner or corporate officer, payable to a fictitious payee and endorsed in the name of such fictitious payee, and (B) any check or draft procured in a face to face transaction with the Insured or such partner or corporate officer, or with one acting as agent for any of them by anyone impersonating another and made or drawn payable to the one so impersonated and endorsed by any one other than the one impersonated, and (C) any payroll check, payroll draft or payroll order made or drawn by the Insured, payable to bearer as well as to a named payee and endorsed by any one other than the named payee without authority from such payee (whether or not any endorsement mentioned in subdivisions (A), (B), or (C) be a forgery within the law of the place controlling the construction thereof).

Mechanically reproduced facsimile signatures are treated the same as handwritten signatures.

This Insuring Agreement shall not apply to loss or losses caused by forgery or alteration of, on, or in registered or coupon obligations issued or purporting to have been issued by the Insured or any coupons attached thereto, or detached therefrom. In the event that the Insured or any partner or corporate officer of the Insured or any bank hereinbefore referred to shall refuse to pay any of the foregoing instruments made or drawn as hereinbefore set forth alleging that such instruments are forged or altered, and such refusal shall result in suit being brought against the Insured or such partner or corporate officer or such bank to enforce such payment and the Company shall give its written consent to the defense of such suit, then any attorney's fees, court costs or similar legal expenses incurred and paid by the Insured or such partner or corporate officer or such bank in such defense shall be construed to be a loss hereunder, and the liability of the Company for such loss shall be in addition to the limit of liability hereinafter expressed.

**Limit of Liability** The sum as stated in coverage "H" of the Declarations shall be the limit of the Company's liability for all loss or losses by forgery or alteration committed by any one person or in which such person is concerned or implicated, whether such forgery or alteration involves one or more instruments.

**Primary Liability** Anything in the General Conditions to the contrary notwithstanding, this Section of this Insurance Agreement shall be primary as to any losses covered by this Section of this Insuring Agreement and any fidelity insurance carried by the Insured or forgery insurance carried by any bank hereinbefore referred to.

#### Counterfeit Money:

The Company agrees to indemnify the Insured for all loss by reason of the acceptance, in good faith and in the ordinary course of business, of counterfeit (A) United States of America paper currency, or (B) Dominion of Canada paper currency, or (C) money orders, or (D) travelers' checks.

**Limit of Liability** \$2,500 shall be the limit of the Company's liability on account of any such currency, money orders, or travelers' checks accepted in any one transaction.

#### Claims Expense:

The Company agrees to indemnify the Insured for reasonable expenses necessarily incurred by the Insured in preparing any valid claim for loss covered by this Insuring Agreement.

Countersigned at MINNEAPOLIS, MINNESOTA

On the 6TH day of NOVEMBER, 1953

By Jean G. Fickel  
Resident Agent

Henry Guernsey  
President  
Gut Blomholm  
Secretary



**No Additional Premium** 5. The payment by the Company of any obligation hereby undertaken shall not entitle the Company to any additional (reinstatement) premium.

**Cancellation** 6. This Bond, or any Insuring Agreement thereof, may be cancelled by agreement or by written notice from the named Insured or the Company to the other, notice to the named Insured to be effective at noon of the 30th day after its receipt, and the unearned premium computed pro rata shall be returned upon request.

**Continuity of Prior Coverage** 7. (a) Any Insuring Agreement hereof shall apply to any loss occurring during the term of any prior bond or bonds or policy or policies of insurance, herein referred to as prior insurance(s), carried by the Insured, provided (1) such loss is one to which the coverage of such Insuring Agreement would have applied had the loss occurred during the effective period of such Insuring Agreement, and (2) that such prior insurance(s) had been in force continuously from the time the loss was sustained to the effective date of such Insuring Agreement, and (3) that the period allowed for discovery of loss under such prior insurance(s) had elapsed prior to the discovery of such loss, and (4) that the Company shall be liable for no more than the amount of coverage in effect under such prior insurance(s) when the loss occurred, or the amount of insurance granted under such Insuring Agreement, whichever is less.

(b) Where the period allowed for discovery of loss under another or other bond or bonds or policy or policies of insurance, herein referred to as prior insurance(s), issued by the Company to the Insured, had not elapsed at the time of the substitution of the coverage of any Insuring Agreement of this Bond for the coverage under such prior insurance(s) shall not be cumulative as to any loss(es) (1) caused by any act(s) or omission(s) of any one person or act(s) or omission(s) in which such person is concerned or implicated, or (2) resulting from or in respect to any one casualty or event.

**Prior Fraud, Dishonesty, or Cancellation**

If prior to the issuance of this Policy, any fidelity insurance in favor of the Assured or any predecessor in interest of the Assured and covering one or more of the Assured's Employees shall have been canceled as to any of such Employees by reason of (a) the discovery of any fraudulent or dishonest act on the part of such Employees, or (b) the giving of written notice of cancellation by the insurer issuing such fidelity insurance, whether the Company or not, and if such Employees shall not have been reinstated under the coverage of said fidelity insurance or superseding fidelity insurance, the Company shall not be liable under any Insuring Agreement on account of such Employees unless the Company shall agree in writing to include such Employees within the coverage of such Insuring Agreement.

**Court Costs and Attorney Fees**

8. The Company will indemnify the Insured against court costs and reasonable attorneys' fees incurred and paid by the Insured in defending any suit or legal proceeding brought against the Insured to enforce the Insured's liability or alleged liability on account of any loss, claim or damage which, if established against the Insured, would constitute a valid and collectible loss sustained by the Insured under the terms of this bond. Such indemnity shall be in addition to the amount of this bond. In consideration of such indemnity, the Insured shall promptly give notice to the Company of the institution of any such suit or legal proceedings; at the request of the Company shall furnish it with copies of all pleadings and other papers therein; and at the Company's election shall permit the Company to conduct the defense of such suit or legal proceeding in the Insured's name, through attorneys of the Company's own selection. In the event of such election by the Company, the Insured shall give all reasonable information and assistance, other than pecuniary, which the Company shall deem necessary to the proper defense of such suit or legal proceeding.

**Terms of Policy Conformed to Statute Changes**

9. Terms of this Bond which are in conflict with the Statutes of the State wherein this bond is issued are hereby amended to conform to such statutes.

10. Nothing contained in any endorsement or rider forming a part hereof shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations other than as specifically stated in such endorsement or rider.

Countersigned at MINNEAPOLIS, MINNESOTA

On the 6TH day of NOVEMBER, 53

Resident Agent

Henry Guernsey  
President

G. Blomholm  
Secretary



[fol. 257]

## PLAINTIFFS' EXHIBIT 8

## DEPOSIT AGREEMENT

This Deposit Agreement, made and entered into this 6th day of October, 1953, at Chicago, Illinois by and between City National Bank and Trust Company of Chicago, a national banking association authorized to do business in the State of Illinois, having its principal place of business at 208 South LaSalle Street, Chicago, Illinois, party of the first part (hereinafter called the "Bank"), and Donald Q. McDonald, George W. Doud and J. Wesley Carlson, Co-partners doing business as Bondified Systems, a Limited Partnership organized under the Uniform Limited Partnership Act of the State of Illinois, having its principal place of business at 10 South LaSalle Street, Chicago, Illinois, party of the second part (hereinafter called the "Partnership").

Witnesseth: Whereas, the Bank is engaged in the business of general commercial banking in the City of Chicago, Illinois; and

Whereas, the Partnership is duly licensed by Checks, Incorporated, a Minnesota corporation, through assignment given and granted by Bondified Systems, Inc., a Minnesota corporation, to sell, issue and distribute "Bondified" Post Card Checks and "Bondified" Money Orders in the greater metropolitan area of Chicago; and

Whereas, the Partnership desires to establish a depository account with the Bank against which "Bondified" Post Card Checks and "Bondified" Money Orders may be drawn, [fol. 258] Now, Therefore, in consideration of the premises and the agreements hereinafter contained, the parties agree:

1. The Partnership will forthwith, upon the execution of this Agreement, deposit with the Bank the sum of Ten Thousand (\$10,000.00) Dollars in a special earmarked account, to be entitled the "Bondified" Special Account, (hereinafter called the "Account") against which said "Bondified" Post Card Checks and "Bondified" Money Orders (sometimes hereinafter collectively called "items" or individually called "item") shall be drawn and shall be

paid by the Bank, as hereinafter provided, which Account the Partnership agrees to maintain at all times at a balance of not less than Ten Thousand (\$10,000.00) Dollars.

2. The Partnership shall provide a surety bond in a surety company of recognized standing, in amount, manner and form acceptable to both parties and acceptable to said Checks, Incorporated, whereby and wherein provision for payment of all "Bondified" Post Card Checks and "Bondified" Money Orders shall be guaranteed up to the penal amount of said bond, but notwithstanding such bond, it is agreed that items shall be paid by the Bank only out of collected funds in the Account, as hereinafter provided.

3. The Bank shall accumulate all items received by it each day through the clearings or otherwise until 12:30 P.M., and, if the Partnership has sufficient collected balance on deposit in the Account, shall charge the Account with the amount of the items so accumulated. The items shall then be bundled together with an adding machine tape listing the amounts thereof and delivered to the Partnership. [fol. 259] If, at such time, there is not a sufficient collected balance in the Account, the Bank shall withhold the items in excess of the collected balance and notify the Partnership of the same; unless cash or collected funds are provided in the Account before 2:30 P.M. of the same date, the Bank may return such excess items to the sources from which they were received.

All items which the Partnership wishes to dishonor, for any reason whatsoever, shall be returned to the Bank (with the reason for returning noted thereon) not later than 3:30 P.M. on the date of receipt. The Bank agrees to recredit the Account or make a satisfactory accounting to the Partnership for the total of such items returned before the said time. Any item returned to the Bank after 3:30 P.M. on the day of receipt will be accepted by the Bank "On receipt" as the said term is understood in banking circles. The Bank will assist the Partnership to obtain reimbursement on all such late return items but the Bank shall not have any liability in the event reimbursement cannot be allowed.

The Partnership understands that the Bank will handle all "Bondified" Post Card Checks and "Bondified" Money Orders as "Payable through items" as this term is generally

understood in banking circles, and the sole duty of the Bank shall be to comply with the foregoing directions. The Partnership further understands that an item presented to the Bank, as Drawee, is deemed paid unless returned, payment refused (with the reasons therefor), within a designated time after presentation, and that any credit given or charge made with respect to any item prior to the lapse of such time is provisional and may be cancelled [fol. 260] by the Bank upon return of the item as aforesaid. Accordingly, the words "payment", "paid", "paid", etc., are used herein in accordance with the above described practice.

The Partnership shall assume full responsibility and the Bank is relieved of all responsibility to decide and settle all questions and matters relating to the items, including, without limitation, stop payments, absence or genuineness of signatures, validity, amounts, alterations, and endorsements. The Partnership hereby specifically exonerates the Bank and agrees to hold it harmless from loss, cost, damage or expense resulting from the payment of any item bearing a forged, altered or counterfeit signature or endorsement, or any other unauthorized alteration, or resulting from the refusals to pay such item when presented.

4. The Bank shall not be liable for and the Partnership agrees to hold it harmless from loss, cost, damage or expense resulting from any infraction or violation of any rules, regulations or agreements made by the Partnership with its agents, servants, employees, or due to any restrictions imposed upon the Partnership by its licensor, Checks, Incorporated, or any other persons or corporation.

5. The Partnership agrees to maintain an operating account with the Bank. The Partnership also agrees that the Bank shall be its exclusive depository for both its earmarked and operating funds, and that it will cause any funds deposited in any bank by Bondified Systems, Inc., to be deposited in the Bank.

Of even date herewith and in connection with this Agreement, the Partnership has executed a customary form of [fol. 261] partnership deposit agreement with the Bank in respect of the operating account, and the Bank may accept deposits for and may charge the said account in accordance with the terms of the said partnership deposit agreement.

6. The Bank agrees to handle, tabulate and clear daily all items presented to it for deposit or payment, as herein provided, in either of the above stated accounts, and as compensation for said services rendered shall be paid sums as follows:

a. The Bank agrees to handle without service or handling charge, a limited number of deposit and payment items presented to it under the foregoing agreement, the number of said items to be handled without service or handling charge, to be on the basis of one hundred and eight (108) such items per month per each One Thousand (\$1,000) Dollars of average aggregate monthly collected balance.

b. For all items presented for deposit or payment in any month in excess of the number to be handled without charge, per paragraph a. above, the Bank shall charge the Partnership and shall be paid sums as follows:

1) For each deposit item, the sum of one and one half (1½) cents each.

2) For each payment item, one cent (1c) for the first ten thousand (10,000) payment items in excess of the non-charge items and one-half cent (½c) per each payment item thereafter in such month.

c. It is further understood and agreed, anything herein to the contrary notwithstanding, that in the [fol. 262] event that the operating experience of the Bank at the end of the first six (6) months of this agreement, shall indicate that the foregoing compensation to the Bank shall not produce a reasonable profit, the rates hereinabove agreed to shall be subject to renegotiation between the parties at the option of the Bank, and if a satisfactory agreement shall not be arrived at within thirty (30) days after request by the Bank for renegotiation, then this contract may be terminated at the option of the bank at the end of one hundred eighty (180) days after the date of such request for renegotiation.



7. The operation and conduct between the parties hereto shall be subject to all rules and regulations now in effect or which may be hereafter adopted governing the relationship between Bank and depositor, provided, however, that such regulations or rules are not inconsistent with the terms of this contract.

8. It is understood and agreed that the right of the Partnership to sell, issue and distribute "Bondified" Post Card Checks and "Bondified" Money Orders has been obtained under a license agreement with the aforesaid Checks, Incorporated, through an assignment from the aforesaid Bondified Systems, Inc., licensed to operate in the States of Illinois and Indiana, which latter corporation will also sell said checks and money orders in certain areas of said states other than the territory licensed and assigned to the Partnership, and that, by the terms of the said license [fol. 263] agreement and the said assignment, the Partnership has agreed that "Bondified" Post Card Checks and "Bondified" Money Orders issued in the name of Bondified Systems, Inc. may be charged to the Account of the Partnership the same as similar items issued by the Partnership and may be charged and paid by the Bank without segregation or separation in any way, the same as though issued by one organization only, and checks, drafts and orders for payment of money, payable to Bondified Systems, Inc. may be deposited in the operating account when endorsed by Bondified Systems, Inc. to the Partnership.

9. The Partnership agrees that it will not employ the name of the Bank in any of its advertising, promotion, circulars, etc., of any sort or description; provided, however, that the name of the Bank may appear as drawee on all "Bondified" Money Orders and "Bondified" Post Card Checks.

10. This Agreement shall remain in full force and effect for one year from the date hereof, and shall be renewed from year to year for each year thereafter, upon the condition that either party may terminate this Agreement at the end of any year upon written notice of intention to terminate delivered to the other party not less than ninety (90) days prior to the expiration of such year.

In witness whereof, the Bank has caused these presents to be signed by its Vice President and its Corporate Seal to be affixed hereto and attested by its Asst. Cashier, thereunto duly authorized, and the Partners of the Partnership have hereunto set their hands and seals at the place and on [fol. 264] the day and year first above written.

City National Bank and Trust Company of Chicago,  
By (Signature illegible), Vice President. Attest:  
(Signature illegible); Assistant Cashier.

Corporate Seal.

Donald Q. McDonald (Seal), George W. Doud (Seal),  
J. Wesley Carlson (Seal), Co-partners doing business as Bondified Systems.



**ANCHOR CASUALTY COMPANY**

SAINT PAUL, MINNESOTA

53222

KNOW ALL MEN BY THESE PRESENTS, THAT WE, BONDIFIED SYSTEMS, INC. AND/OR BONDIFIED SYSTEMS, A PARTNERSHIP, OF THE CITY OF CHICAGO, STATE OF ILLINOIS, AS PRINCIPAL, AND THE ANCHOR CASUALTY COMPANY, WITH ITS PRINCIPAL OFFICE AT ST. PAUL, MINNESOTA, AS SURETY, ARE HELD AND FIRMLY BOUND UNTO THE CITY NATIONAL BANK & TRUST CO. OF CHICAGO, ILLINOIS, AS OBLIGEE, IN THE SUM OF TEN THOUSAND DOLLARS (\$10,000.00) FOR THE PAYMENT WHEREOF WELL AND TRULY TO BE MADE, THE PRINCIPAL AND SURETY BIND THEMSELVES, THEIR SUCCESSORS AND ASSIGNS, JOINTLY AND SEVERALLY FIRMLY BY THESE PRESENTS.

SIGNED, SEALED AND DATED THIS 30TH DAY OF OCTOBER, 1953.

THE CONDITIONS OF THE ABOVE NAMED BOND ARE AS FOLLOWS: THAT IF THE SAID PRINCIPAL, BONDIFIED SYSTEMS, INC. AND/OR BONDIFIED SYSTEMS, OF CHICAGO, ILLINOIS, WILL FOR A PERIOD OF TIME, COMMENCING OCTOBER 6, 1953, AND ENDING OCTOBER 6, 1954, (UNLESS THIS BOND BE CONTINUED BY A WRITTEN CONTINUATION CERTIFICATE) WELL AND FAITHFULLY PERFORM THE TERMS AND CONDITIONS OF THE CONTRACT DATED OCTOBER 6, 1953, A COPY OF WHICH IS ATTACHED AND MADE A PART HEREOF, ON ITS PART TO BE PERFORMED, AND SHALL REIMBURSE SAID BANK FOR ALL OVERDRAFTS, IF ANY, RESULTING FROM THE PAYMENT BY THE BANK OF "BONDIFIED" MONEY ORDERS, THEN THIS OBLIGATION TO BE VOID; OTHERWISE TO REMAIN IN FULL FORCE AND EFFECT.

IT IS UNDERSTOOD AND AGREED, HOWEVER, AS FOLLOWS:

1. THIS BOND MAY BE CANCELLED AS TO FUTURE ACTS OR OMISSIONS ON THE PART OF THE PRINCIPAL BY WRITTEN NOTICE FROM THE OBLIGEE OR THE UNDERWRITER TO THE OTHER, NOTICE TO THE OBLIGEE TO BE EFFECTIVE AT NOON OF THE TENTH (10TH) DAY AFTER ITS RECEIPT.
2. THAT ANY LOSS RECOVERABLE HEREUNDER SHALL BE DISCOVERED BEFORE THE EXPIRATION OF TWELVE (12) MONTHS FROM THE

PART TO BE PERFORMED, AND SHALL REIMBURSE SAID BANK FOR ALL OVERDRAFTS, IF ANY, RESULTING FROM THE PAYMENT BY THE BANK OF "BONDIFIED" MONEY ORDERS, THEN THIS OBLIGATION TO BE VOID; OTHERWISE TO REMAIN IN FULL FORCE AND EFFECT.

IT IS UNDERSTOOD AND AGREED, HOWEVER, AS FOLLOWS:

1. THIS BOND MAY BE CANCELLED AS TO FUTURE ACTS OR OMISSIONS ON THE PART OF THE PRINCIPAL BY WRITTEN NOTICE FROM THE OBLIGEE OR THE UNDERWRITER TO THE OTHER, NOTICE TO THE OBLIGEE TO BE EFFECTIVE AT NOON OF THE TENTH (10TH) DAY AFTER ITS RECEIPT.
2. THAT ANY LOSS RECOVERABLE HEREUNDER SHALL BE DISCOVERED BEFORE THE EXPIRATION OF TWELVE (12) MONTHS FROM THE CANCELLATION OF THIS BOND OR THE TERMINATION OF THIS BOND OR SUCH OTHER DATE TO WHICH THIS BOND MAY BE EXTENDED BY CERTIFICATE ISSUED BY THE SURETY, (WHICHEVER SHALL FIRST OCCUR). WRITTEN NOTICE OF SUCH LOSS SHALL BE DELIVERED TO THE SURETY AT ITS PRINCIPAL OFFICE WITHIN FIFTEEN (15) DAYS AFTER THE DISCOVERY OF SUCH LOSS, AND WITHIN A REASONABLE TIME THEREAFTER THE OBLIGEE SHALL SUBMIT WRITTEN PROOF OF LOSS.
3. THAT NO SUIT TO RECOVER A LOSS UNDER THIS BOND SHALL BE BROUGHT AFTER THE EXPIRATION OF TWELVE (12) MONTHS FOLLOWING DISCOVERY OF SUCH LOSS.
4. THAT THE OBLIGEE SHALL NOT CHARGE AGAINST THE SPECIAL ACCOUNT REFERRED TO IN PARAGRAPH NUMBERED ONE (1) OF THE AGREEMENT ANY CHECKS DRAWN BY THE PRINCIPAL, IT BEING AGREED BETWEEN THE PARTIES HERETO THAT FUNDS DEPOSITED IN SUCH ACCOUNT SHALL BE USED ONLY FOR THE PURPOSE OF PAYING OR HONORING POST CARD CHECKS OR MONEY ORDERS.

WITNESS TO PRINCIPAL:

*[Signature]*  
*[Signature]*

WITNESS TO SURETY:

*[Signature]*  
*[Signature]*

BONDIFIED SYSTEMS, INC. AND/OR BONDIFIED SYSTEMS

BY: *[Signature]*  
BY: *[Signature]*  
*[Signature]*

ANCHOR CASUALTY COMPANY

BY: *[Signature]*  
G. W. SMITH ATTORNEY IN FACT



## ILLINOIS

## INDIVIDUAL ACKNOWLEDGMENT

STATE OF COOK )COUNTY OF thirtieth ) ss.

November

53

On this Notary Public

day of

A. D. 19

before me, a

J. Wesley Carlson, George W. Doud, Donald Q. McDonald andH. B. Mackenzieto me known to be the person described in and who executed the foregoing instrument and acknowledged that t he executed the same as their free act and deed.My commission expired Jan. 22 19 55Notary Public

## ILLINOIS

## CORPORATION ACKNOWLEDGMENT

STATE OF COOK )

30th

November

53

COUNTY OF Notary Public

On this

day of

19

before me, a George W. Doud within and for said County, personally appeared

and

Secretaryto me personally known, who, being each by me duly sworn, did say that they are respectively the BONDIFIED SYSTEMS, Inc. President and the George W. Doud of

the corporation named in the

foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation,

and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of

of H. B. Mackenzie and said George W. Doud and

acknowledged said instrument to be the free act and deed of said

corporation.

STATE OF COOK )

30th

November

53

COUNTY OF Notary Public

On this

day of

19

before me, a George W. Doud within and for said County, personally appeared

and

Secretaryto me personally known, who, being each by me duly sworn, did say that they are respectively the BONDIFIED SYSTEMS, Inc. President and the George W. Doud of

the corporation named in the

foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation,

and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of

of H. B. Mackenzie and said George W. Doud and

acknowledged said instrument to be the free act and deed of said

corporation.

Cook

Illinois

Notary Public

January 22

55

My commission expires

19

MINNESOTA  
HENNEPIN

## ACKNOWLEDGMENT OF SURETY

STATE OF \_\_\_\_\_ )

COUNTY OF 30th ) ss.

OCTOBER

53

On this \_\_\_\_\_ day of G. M. SMITH 19 \_\_\_\_\_

personally appeared before me \_\_\_\_\_

who, being duly sworn did depose and say that he is the attorney-in-fact of the Anchor Casualty Company

of Saint Paul, Minnesota, that the seal affixed to the attached instrument is the Corporate Seal of said

Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority

of its Board of Directors and the said \_\_\_\_\_ acknowledged that

he executed said instrument as such attorney-in-fact and as the free act and deed of said Corporation.



Gen. 1408A

# ANCHOR

## CASUALTY COMPANY

SAINT PAUL, MINNESOTA

### CERTIFIED COPY OF POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS That Anchor Casualty Company, a Minnesota corporation, has made, constituted and appointed, and by these presents does make, constitute and appoint

G. Wm. Smith

of St. Paul, Minnesota its true and lawful attorney-in-fact, with full power to sign, seal, execute, acknowledge and deliver:

any and all bonds or undertakings set forth in the resolution of the Board of Directors printed below

to the same extent as if such bonds or undertakings were signed by an executive officer of said company and sealed and attested by another of such officers, and hereby ratifies and confirms all that its said attorney in fact may do in pursuance hereof.

This power of attorney is granted under and by virtue of Section 1 of Article V of the By-Laws as further supplemented by the following resolution of the Board of Directors of said company:

"RESOLVED That in supplement to the provisions of Section 1 of Article V of the By-Laws, the President, or Executive Vice President, or any Vice President and the Secretary or any Assistant Secretary be and are authorized to execute powers of attorney by the terms of which there shall be delegated to attorneys in fact authority to sign, seal, execute, acknowledge and deliver any and all bonds or undertakings on behalf of the company guaranteeing the fidelity or persons in fiduciary positions, public or private, or binding the company as surety on official or other bonds or for the performance of official or other obligations, to the same extent as if such bonds or undertakings or other writings obligatory in the nature thereof were signed by an executive officer of the company and sealed and attested by another of such officers."

In Witness Whereof, Anchor Casualty Company has caused these presents to be signed by its President, or Executive Vice President, or any Vice President and its corporate seal to be hereunto affixed, duly attested by its Secretary or any Assistant Secretary, this 1st day of March, 19 51

ANCHOR CASUALTY COMPANY

By T. Parker Lowe  
T. Parker Lowe

Vice President

"RESOLVED That in supplement to the provisions of Section 1 of Article V of the By-Laws, the President, or Executive Vice President, or any Vice President and the Secretary or any Assistant Secretary be and are authorized to execute powers of attorney by the terms of which there shall be delegated to attorneys in fact authority to sign, seal, execute, acknowledge and deliver any and all bonds or undertakings on behalf of the company guaranteeing the fidelity or persons in fiduciary positions, public or private, or binding the company as surety on official or other bonds or for the performance of official or other obligations, to the same extent as if such bonds or undertakings or other writings obligatory in the nature thereof were signed by an executive officer of the company and sealed and attested by another of such officers."

In Witness Whereof, Anchor Casualty Company has caused these presents to be signed by its President, or Executive Vice President, or any Vice President and its corporate seal to be hereunto affixed, duly attested by its Secretary or any Assistant Secretary, this 1st day of March, 19 51

ANCHOR CASUALTY COMPANY

By T. Parker Lowe  
T. Parker Lowe

Vice President

(SEAL)

Attest: G. U. Blomholm  
G. U. Blomholm

Secretary

STATE OF MINNESOTA } ss.  
COUNTY OF RAMSEY }

On this 1st day of March, 19 53 before me appeared T. Parker Lowe,

St. Paul, Minnesota

to me personally known, who, being by me duly sworn, did say that he is the Vice President of Anchor Casualty Company, a Minnesota corporation; that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was executed in behalf of the corporation by authority of its Board of Directors, and the said T. Parker Lowe acknowledged said instrument to be the free act and deed of said corporation.

(SEAL)

Frieda M. Miller

Notary Public, Ramsey County, Minn.

Frieda M. Miller

My Commission Expires February 13, 1955

### CERTIFICATE

I, the undersigned, certify that I am the Assistant Secretary of Anchor Casualty Company, a Minnesota corporation, and that the foregoing and attached power of attorney remains in full force and effect, and has not been revoked; and furthermore that Section 1 of Article V of the By-Laws of said company and the resolutions of the Board of Directors thereof, all as set forth in said power of attorney, are now in full force and effect.

I further certify that said Anchor Casualty Company is duly licensed to transact fidelity and surety business in the State of ILLINOIS

29

Given under my hand and the seal of said company at the City of St. Paul, Minnesota, this \_\_\_\_\_ day of

OCTOBER 53, 19 53

C. A. Mathews

Assistant Secretary



## RENEWAL CERTIFICATE

PRINCIPAL

BONDIFIED SYSTEMS, INC. &/OR BONDIFIED SYSTEMS

ADDRESS

208 S. LASALLE STREET, CHICAGO, ILLINOIS

OBLIGEE

CITY NATIONAL BANK & TRUST CO. OF CHICAGO

BOND NO. 16-209-53 PENALTY \$10,000.00 PREMIUM \$ 125.00

PERIOD FROM OCTOBER 6, 1954 TO OCTOBER 6, 1955

DESCRIPTION OF BOND

INDEMNITY BOND

AGENT

ADDRESS

IN CONSIDERATION OF THE PREMIUM STATED ABOVE, AND THE INFORMATION CONTAINED IN ANY RENEWAL STATEMENTS IN CONNECTION HERewith, THE ANCHOR CASUALTY COMPANY HEREBY CONTINUES IN FORCE THE ABOVE DESCRIBED BOND SUBJECT TO ALL THE TERMS, CONDITIONS AND LIMITATIONS OF THE ORIGINAL OBLIGATION OF SURETYSHIP AND ANY CHANGES EFFECTED BY RIDER.

IT IS FURTHER UNDERSTOOD THAT THE ANCHOR CASUALTY COMPANY DOES NOT ASSUME LIABILITY DURING ANY YEAR OR YEARS FOR ANY DEFAULT OR DEFAULTS IN THE AGGREGATE EXCEEDING THE AMOUNT OF ITS SURETYSHIP AS DETERMINED BY THE ORIGINAL OBLIGATION OF SURETYSHIP, EXCEPT AS SAME MAY BE SPECIFICALLY INCREASED OR DECREASED BY RIDER.

**ANCHOR**  
**CASUALTY**  
**COMPANY**

SAINT PAUL, MINNESOTA

SIGNED, SEALED AND DATED

THIS

6<sup>th</sup>

DAY OF

Oct.

54

*E. J. Smith*

ATTORNEY IN FACT

[fol. 271]

## PLAINTIFFS' EXHIBIT 10

## SPECIAL AGENCY AGREEMENT

This Agreement made and entered into this 14th day of November, 1953, at Chicago, Illinois, by and between Bondified Systems, a Minnesota Corporation, hereinafter termed the "Corporation," and the partnership composed of George W. Doud, Donald Q. McDonald, and J. Wesley Carlson, Co-partners, doing business as Bondified Systems, hereinafter termed the "Partners," all having their principal place of business at 208 South LaSalle Street, Chicago, Illinois:

Witnesseth: Whereas, the Corporation has been duly organized under the laws of the State of Minnesota, and has valid and existing subscriptions to its capital stock in the amount of Thirteen Thousand Three Hundred Dollars (\$13,300.00) each from each of the Partners hereinabove stated, and each of said subscribers has paid on said subscriptions the amount of Three Thousand Dollars (\$3,000.00) each; and

Whereas, the Corporation is the holder of a certain franchise, entitled "Operator Contract," from Checks Incorporated, a Minnesota Corporation, to sell, issue and distribute "Bondified" money orders and post-card checks made, sold and distributed by said Checks, Incorporated, and provide bank clearing facilities with respect to payment thereof, in certain specified areas of northern Illinois and northern Indiana, but said Corporation has not yet secured a corporate license from the State of Illinois to carry on said business in full; and

Whereas, the Partners who are presently the principal [fol. 272] stockholders of the Corporation, have organized the limited partnership of Bondified Systems for the purpose of carrying on in the State of Illinois the sale and distribution of said "Bondified" money orders and post-card checks, and now hold a license by an assignment to carry on such business from Bondified Systems, Inc., said assignment being made with the knowledge and consent of

Checks, Incorporated, and said Partners intend to actively carry on said business under said license; and

Whereas, the parties believe that the carrying on by the said Partners of said business in the licensed area in Illinois as licensee and in the remainder of the area authorized for the Corporation as its duly authorized agent, will be greatly to the benefit of the Corporation and will protect its rights under its franchise from Checks, Incorporated, and will provide a foundation for the future business of the Corporation in said areas if and when the aforesaid license and the within agency appointment to Bondified Systems may be terminated; and

Whereas, the parties hereto agree that it will be more economical and to the best interests of the parties that the entire money order sales business of the parties be conducted and carried on by one entity only, with but one set of operating employees, books of account, bank accounts, employee tax returns and related operational elements;

Now, Therefore, it is hereby agreed by and between the parties hereto as follows:

1: The Partnership is hereby appointed as the Operating Agent of the Corporation in its franchised area of the State of Indiana, and is hereby duly authorized to solicit, select and appoint sales agents to sell and distribute the money orders and post-card checks of the Corporation therein, to [fol. 273] distribute advertising, service the agents appointed, and generally promote and conduct said business in said area in Indiana in the name of the Corporation, and the Partnership hereby accepts said appointment and agrees to diligently carry on said business in said area as the duly authorized agent of the Corporation to the best of its ability. It is further understood and agreed that for administrative efficiency and economy of operation the Partnership will maintain one set of operating books through which all payroll, purchases of supplies, general operating expenses and other charges pertaining to the carrying on of said money order and post-card sales in both the area licensed to it and the remaining area authorized for the Corporation will be entered, and the proper allocation of the portion of such expenses, chargeable to the Cor-



## RENEWAL CERTIFICATE

PRINCIPAL BONDIFIED SYSTEMS, INC. &/OR BONDIFIED SYSTEMS  
 ADDRESS 208 S. LASALLE STREET, CHICAGO, ILLINOIS  
 OBLIGEE CITY NATIONAL BANK & TRUST CO. OF CHICAGO  
 BOND NO. 16-209-53 PENALTY \$ 10,000.00 PREMIUM \$ 125.00  
 PERIOD FROM OCTOBER 6, 1954 TO OCTOBER 6, 1955  
 DESCRIPTION OF BOND INDEMNITY BOND

AGENT

ADDRESS

IN CONSIDERATION OF THE PREMIUM STATED ABOVE, AND THE INFORMATION CONTAINED IN ANY RENEWAL STATEMENTS IN CONNECTION HERewith, THE ANCHOR CASUALTY COMPANY HEREBY CONTINUES IN FORCE THE ABOVE DESCRIBED BOND SUBJECT TO ALL THE TERMS, CONDITIONS AND LIMITATIONS OF THE ORIGINAL OBLIGATION OF SURETYSHIP AND ANY CHANGES EFFECTED BY RIDER.

IT IS FURTHER UNDERSTOOD THAT THE ANCHOR CASUALTY COMPANY DOES NOT ASSUME LIABILITY DURING ANY YEAR OR YEARS FOR ANY DEFAULT OR DEFAULTS IN THE AGGREGATE EXCEEDING THE AMOUNT OF ITS SURETYSHIP AS DETERMINED BY THE ORIGINAL OBLIGATION OF SURETYSHIP, EXCEPT AS SAME MAY BE SPECIFICALLY INCREASED OR DECREASED BY RIDER.

**ANCHOR**  
**CASUALTY**  
**COMPANY**

SAINT PAUL, MINNESOTA

SIGNED, SEALED AND DATED

THIS

DAY OF

1954

*[Signature]*

ATTORNEY IN FACT

poration will be made at an appropriate accounting date by the duly authorized accountants to be employed by the parties.

2. The Corporation, by and with the consent of its stockholders and directors, hereby consents and agrees that Ten Thousand Dollars (\$10,000.00) each of the capital stock subscriptions of Messrs. George W. Dond, Donald Q. McDonald and J. Wesley Carlson, or a total of Thirty Thousand Dollars (\$30,000.00) may be paid by said subscribers to Bondified Systems, a limited partnership, as paid-in capital of their partnership interests in said partnership, and further agrees that it will not enforce or demand the payment in full to it as further payment upon said subscriptions of said Ten Thousand Dollars (\$10,000.00) each herein authorized to be paid as partner's capital contributions to said Partnership.

3. It is understood and agreed that all of said partner capital contributions, Thirty Thousand Dollars (\$30,000.00) in all, so paid in to said Partnership, shall be used and expended [fol. 274] solely in the development, promotion and carrying on of the business of the sale and distribution of "Bondified" money orders and post-card checks in the sales area licensed to it in Illinois and the sales area for which it is obligated under this Agreement in the State of Indiana.

4. The Corporation further agrees that in the event that additional funds shall be required by the Partnership for the efficient development and carrying on of said business, the Corporation will make calls on its other subscribers for payments on said subscriptions, and will advance said funds to the Partnership for such purpose, it being fully understood and agreed in this regard that if any such funds are so advanced by the Corporation to the Partnership for this purpose, all of such advances will be considered to be fully paid, discharged and rendered of no further force and effect upon the full and complete transfer, assignment and delivery by the Partnership of all of the money order and post-card check business as aforesaid to the Corporation, as hereinafter provided in Paragraph 5 hereof.

5. It is further understood and agreed that the said Partnership at any time following the date of this Agree-

ment and the payment by the Partners of the partnership capital contributions hereinabove stated, and the receipt of any advances which may be made under provisions of Paragraph 4 above, shall have the right to terminate this Agreement, and upon such termination by it or upon other termination hereof shall have the right to assign, transfer, pay over and deliver to said Corporation the full and entire business of the sale of said "Bondified" money orders and post-card checks, including all cash, inventory, supplies, furniture and fixtures, agency contracts, leases and other property, interests, or rights of any kind owned or developed by it, in full payment of the subscriptions on the capital stock subscribed by the Partners to the amount of [fol. 275] Ten Thousand Dollars (\$10,000.00) each, and payment in full of all advances made under provisions of Paragraph 4 above, and upon such transfer, assignment, and delivery by said Partnership to said Corporation, each of said Partners shall thereupon become entitled to receive certificates for capital stock of said Corporation in the full par value of Ten Thousand Dollars (\$10,000.00) each, said certificates to be issued full paid and non-assessable.

6. This Agreement shall continue in effect until the termination of a certain agreement entitled "Assignment of License" dated August 15, 1953, also between the parties hereto, or until the termination hereof by the Partners under the provisions of Paragraph 5 above, whichever shall be the earlier.

In witness whereof, the Corporation has caused this document to be executed by its President and its Corporate Seal to be affixed and attested by its Secretary, said officers being thereunto duly authorized, and the parties have hereunto set their hands and seals, and the stockholders and directors of the Corporation have hereunto signified their full consent and agreement thereto, all at the place and of the date first above mentioned,

Bondified Systems, Inc., By George W. Doud, President. Attest: H. B. Mackenzie, Secretary. George W. Doud, Donald Q. McDonald, J. Wesley Carlson, Partners.

Corporate Seal.



270

## RENEWAL CERTIFICATE

AGENT'S COPY

**ANCHOR**  
**CASUALTY**  
**COMPANY**

SAINT PAUL, MINNESOTA

PRINCIPAL BONDIFIED SYSTEMS, INC. &/OR BONDIFIED SYSTEMS

ADDRESS 208 S. LA SALLE STREET, CHICAGO, ILLINOIS

OBLIGEE CITY NATIONAL BANK & TRUST CO. OF CHICAGO

BOND NO. 16-209-53 • PENALTY \$ 10,000.00 PREMIUM \$125.00

PERIOD FROM OCTOBER 6, 1954 TO OCTOBER 6, 1955

DESCRIPTION OF BOND INDEMNITY BOND

AGENT

ADDRESS

*Original received 10/9/54 & mailed to  
City Natl. Bank, Mr. Bergen, 10/11/54*

IN CONSIDERATION OF THE PREMIUM STATED ABOVE, AND THE INFORMATION CONTAINED IN ANY RENEWAL STATEMENTS IN CONNECTION HERewith, THE ANCHOR CASUALTY COMPANY HEREBY CONTINUES IN FORCE THE ABOVE DESCRIBED BOND SUBJECT TO ALL THE TERMS, CONDITIONS AND LIMITATIONS OF THE ORIGINAL OBLIGATION OF SURETYSHIP AND ANY CHANGES EFFECTED BY RIDER.

IT IS FURTHER UNDERSTOOD THAT THE ANCHOR CASUALTY COMPANY DOES NOT ASSUME LIABILITY DURING ANY YEAR OR YEARS FOR ANY DEFAULT OR DEFAULTS IN THE AGGREGATE EXCEEDING THE AMOUNT OF ITS SURETYSHIP AS DETERMINED BY THE ORIGINAL OBLIGATION OF SURETYSHIP, EXCEPT AS SAME MAY BE SPECIFICALLY INCREASED OR DECREASED BY RIDER.

SIGNED, SEALED AND DATED

THIS 8TH DAY OF OCTOBER 1954

ATTORNEY IN FACT



This agreement hereby approved and consented to:  
George W. Doud, Donald Q. McDonald, J. Wesley Carlson,  
being all of the stockholders and directors of Bondified  
Systems, Inc.

[fol. 276]

PLAINTIFFS' EXHIBIT 11

SPECIAL PURCHASE AGREEMENT

This Agreement made and entered into this 16th day of January, A.D. 1954, at Wheaton, Illinois, by and between George W. Doud, Donald Q. McDonald and J. W. Carlson, all of Wheaton, Illinois, all of said parties being collectively referred to hereinafter as the "Insureds," and Harold B. Mackenzie, 10 South LaSalle Street, Chicago, Illinois, hereinafter referred to as the "Trustee".

Witnesseth: Whereas, the Insureds are presently co-partners doing business as Bondified Systems, a Limited Partnership, having its principal place of business at Room 703, 208 South LaSalle Street, Chicago, Illinois, and have each contributed to said co-partnership the sum of Ten Thousand Dollars (\$10,000.00) each as their respective partnership capital contributions; and

Whereas, the Insureds are also presently stockholders of a corporation known as Bondified Systems, Inc., organized under the laws of Minnesota, licensed to do business in Illinois, and having its principal place of business in Illinois at Room 703, 208 South LaSalle Street, Chicago, Illinois, and have each invested in said corporation the sum of Three Thousand Dollars (\$3,000.00) each, and have received and own common capital stock of the corporation of the total par value of Three Thousand Dollars (\$3,000.00) each; and

Whereas, the Insureds desire to arrange for the purchase and sale of the partnership and corporation interests of any Insured who may become deceased during the term of [fol. 277] this Agreement, and in order to provide cash for such purpose the life of each Insured has been insured by the other two Insureds under life insurance policies made payable to and heretofore deposited with the Trustee.

Now, therefore, in consideration of the mutual covenants and agreements contained herein, George W. Doud, Donald Q. McDonald and J. W. Carlson, for themselves, their heirs, executors, administrators and assigns, and Harold B. Mackenzie, for himself as Trustee and not individually and for his successor Trustees, mutually agree as follows:

## ARTICLE I

### Purchase Agreement, First to Die

Upon the death before the termination of this Agreement of the one of the Insureds who is first to die, the survivors of them shall have the right and are obligated and agree to purchase the interests in the business entities known as Bondified Systems and Bondified Systems, Inc., as above described, which shall be owned by such decedent at the time of his death, and each of the Insureds agrees that his interests in said business entities shall be so sold and transferred at his death to the other Insureds who are parties to this Agreement.

## ARTICLE II

### Purchase Price

A. The price which the surviving Insureds shall pay for each of the interests of the decedent in the two said business entities which they are so obligated to purchase shall be determined according to one of the three methods listed immediately hereinafter, whichever shall produce the largest purchase price.

1. The actual cash amount paid in or contributed for said interests;

[fol. 278] 2. The book value of said interests as of the close of the fiscal quarter immediately preceding the death of the decedent, as determined by the books of said business entities and the regular financial statements thereof as prepared by the accountants or auditor regularly employed by said business entities, according to customary and usual accounting practices; or

3. Any established fixed price valuation for each of said valuations if more than one, which may hereafter

be agreed to by the Insureds and which shall be evidenced by an endorsement in the form as contained in Appendix I hereto which shall be executed by all of the Insureds and lodged with the Trustee.

B. After the determination of the purchase price of the interests of the decedent in said business entities according to the foregoing provisions, including the determination of the book value thereof as one step in the determination of said purchase price, the survivors of said Insureds and the executor or administrator of the decedent shall file with the Trustee a statement setting forth the purchase price of the interests of the said decedent in said entities and stating that such purchase price has been determined as hereinabove provided. If the survivors and the executor or administrator or the decedent shall not file such statement with the Trustee within sixty (60) days after the appointment of such executor or administrator, the Trustee at any time thereafter upon the request of either of the survivors or the said executor or administrator shall cause the purchase price of the interest of the decedent to be determined in pursuance of the foregoing provisions by an accountant to be selected by the Trustee, and the signed determination [fol. 279] of such accountant as to the purchase price of the interest of said decedent in the said copartnership stating that the purchase price of such interest has been determined by him in pursuance of the foregoing provisions, shall be absolute, conclusive and binding upon all persons interested hereunder. If the Trustee shall feel insecure in the acceptance of said purchase price as determined by said accountant, he shall be authorized to secure the approval thereof by a court of competent jurisdiction.

C. The costs and expenses of the Trustee in determining said purchase price, if any, shall be borne one-third (1/3) by the estate of the deceased Insured, which share the Trustee shall take from the insurance money in its hands before making payment to the estate of the deceased Insured, and two thirds (2/3) of the costs and expenses shall be borne equally by the surviving Insureds, which respective shares the surviving Insureds agree to pay to the Trustee upon demand, and for which shares the policies

of insurance in the hands of the Trustee shall stand as security.

### ARTICLE III

#### Insurance Policies

A. Each of the Insureds agrees to insure the life of the others in an amount sufficient initially to provide funds for payment of the entire purchase price as hereinabove provided to be determined, and the Insureds have applied for and have received policies of life insurance on the lives of each other as set forth in Appendix II attached hereto and made a part hereof, said policies having been delivered to the Trustee and the Trustee hereby acknowledging receipt thereof. Additional policies of life insurance may from time to time similarly be purchased by the Insureds, and in such case the purchase of said policies shall be endorsed on said Appendix II and said policies shall be [fol. 280] delivered to the Trustee to be held by the Trustee upon the uses and for the purposes set forth herein, and subject to all provisions hereof:

B. All premiums on policies of insurance as provided for in Paragraph A above shall be paid by the Insureds equally, the Insureds agreeing to pay said premiums promptly when due so long as this Agreement continues in effect. Receipts for the payment of said premiums shall be deposited with the Trustee as received, and shall be retained by the Trustee together with the respective policies to which each pertains, so long as this Agreement continues in effect. The Trustee shall not be obligated to pay any premium or take any action whatsoever in relation thereto, provided, however, that upon the written request of all of the Insureds hereunder the Trustee shall execute and file with the Company any request for borrowing on said policies to pay said premiums or take other appropriate action as may be requested by all of said Insureds.

C. Each of the policies of insurance on the lives of the Insureds herein shall be owned equally by the Insureds, other than the one on whose life each such policy shall be issued, but each of said policies shall provide that the Trustee is the irrevocable beneficiary thereof, and none of the rights of assignment, transfer, borrowing, surrender,



or other customary incident of ownership of life insurance policies may be exercised by said owners without the approval of the Trustee so long as this Agreement shall continue in effect.

#### ARTICLE IV

##### Disposition of Proceeds of Insurance Policies

Upon the death of one of the Insureds during the continuation of this Agreement, the proceeds of the policy of [fol. 281] policies of insurance on the life of such decedent shall be collected by the Trustee from the issuing companies and shall be administered and paid by the Trustee as follows:

A. From the first proceeds of such policies available to the Trustee, the Trustee shall be entitled to deduct any lawful expenses, disbursements, including counsel fees or other charges which may have been incurred and paid or accrued by said Trustee under the terms of this Agreement or to which said Trustee may be entitled.

B. From the remaining portion of said proceeds, but subject to limitation set forth in Paragraph C following, the Trustee shall pay to the executor or administrator of the decedent as soon as possible following the determination thereof, the purchase price in full of the interests of the decedent in the business entities provided to be sold hereunder, or so much said purchase price as may be paid by said proceeds, provided, however, that the Trustee shall first require and receive from said executor or administrator good and sufficient evidence of title to the interests of the decedent herein provided to be sold by his estate and purchased by the survivors. The said survivors shall be credited at the time when such payment is made with the amount of such payments, without regard to any deductions under provisions of Paragraph, and such payments shall be regarded for the purpose of this Agreement as a payment by the said survivors on account or in full as the case may be of the said purchase price.

C. In the event that the Trustee shall have any knowledge of any personal obligations between the Insureds individually whereby the decedent shall have been obligated to the survivors or either of them, then the Trustee shall next

deduct from said proceeds otherwise payable and remit to [fol. 282] the insured thereunto entitled an amount sufficient to discharge said obligation in full or as much as possible of said obligation, and shall deliver evidence of the payment or discharge thereof to the parties thereto entitled.

D. Any portion of the proceeds of said policies of life insurance remaining after payments as provided in Paragraphs A and B above shall be paid and distributed to the executor or administrator of the decedent, and shall be considered for all purposes to be an additional payment for the purchase of the interests of such decedent as contemplated herein, and the purchase price thereof shall be considered to be increased accordingly.

#### ARTICLE V

##### Provision in Case Insurance Is Less Than Purchase Price

If the total amounts so paid by the Trustee to the executor or administrator of decedent shall be less than the purchase price as determined hereunder, the survivors shall, as soon as the last payment of insurance moneys has been made to said executor or administrator, deliver to said Trustee for delivery by him to said executor or administrator the balance of said purchase price in cash, or the equal promissory notes, not to exceed five (5) in all, which notes shall be payable respectively on or before one, two, three, four and five years from date, with interest at the rate of six per cent (6%) per annum, the interest on each note being payable at the maturity thereof and each of which notes shall contain a provision that in case of default in payment of principal all notes subsequently due shall become due and payable, and a provision that the interest of the decedent for which said notes are given in payment shall be made a lien securing the proper payment thereof when due.

#### ARTICLE VI

##### Releases Executed by the Executor

When the insurance moneys have been paid over to the [fol. 283] said executor or administrator as aforesaid, and

the foregoing notes have been executed and delivered or cash paid in lieu of such notes, or if the aggregate amount paid by the Trustee in pursuance of the provisions, to such executor or administrator is in full payment of such purchase price, then upon such payment of the purchase price and said executor or administrator shall execute and deliver to the survivor an instrument in writing, acknowledging the receipt of such cash and notes as the case may be, and waiving any and all rights to all accounting by such survivors, and stating that such survivors have purchased, and that he has sold to such survivors, all right, title and interest in the said co-partnership, and in the property belonging to the said co-partnership, owned by the party so dying at the time of his death:

#### ARTICLE VII

##### Disposal of Policies on Survivors Owned by Decedent

The right, title and interest of any kind of any decedent in any policies of life insurance on the life of the survivor or survivors of the Insureds and in which the Trustee hereunder is named as a beneficiary shall be disposed of as follows:

A. If there shall be two of the Insureds surviving the decedent, said survivors jointly shall first have the right to pay to the Trustee the cash surrender value of the interest of the decedent in said policies, and each survivor shall thereupon become the owner in full of the policies of insurance on the life of the other survivor and said cash surrender value of said policies paid to the Trustee shall thereupon be paid to the executor or administrator of the decedent. In such case, this Agreement shall continue in full force and effect between said two survivors, and shall apply with the same force and effect in the case of the next of them to die as in the case of the first Insured to die.

B. If there shall be two Insureds surviving the decedent, but only one of them shall pay to the Trustee the cash surrender value of any policy or policies on the survivors, or if there shall be but one survivor and he shall pay to the Trustee the cash surrender value on any such

become the owner in full of such policies of insurance, and said cash surrender value of said policies to the Trustee shall thereupon be paid by the Trustee to the executor or administrator of the decedent.

C. If no survivor or survivors shall within a reasonable time, and no later than ten (10) days after request from the Trustee for such payment, pay to the Trustee the cash surrender value of such policies, said policies shall thereupon be turned over and delivered to the executor or administrator of the decedent, free and clear of this Agreement or any obligation thereto.

## ARTICLE VIII

### Obligations of Trustee

The Trustee shall be under no obligation, except as otherwise herein provided, in relation to any insurance policy payable to it as Trustee hereunder, except the duty to receive such sums as may be paid to it by the insurance company which issues any such policy and to hold and dispose of the same subject to the provisions of this Agreement, and the obligation upon being advised that any sum is payable to it to make an effort to collect the same and to bring suit therefore if that be necessary and in the opinion of counsel advisable, including counsel fees and costs shall have been advanced or guaranteed in an amount or amounts satisfactory to it. The Trustee may, out of the proceeds of such policy or policies, repay any advances made to it or reimburse itself for any advances made by it for expenses incurred in collecting or attempting to collect any sum from an insurance company by suit or otherwise. In consideration of the obligations herein assumed by the Trustee and the proper performance thereof, the Trustee shall be entitled to reasonable compensation as the parties may from time to time agree.

## ARTICLE IX

### Termination of Agreement if Insurance Protection Impaired

It is agreed that if by reason of borrowing, failure to [§61.285] pay premiums, or other cause, the amount of the insurance owned by any of the Insureds and payable to and



held by the Trustee shall fall below Ten Thousand Dollars (\$10,000.00), the other Insureds may at their election terminate this Agreement by filing with the Trustee their written election to so terminate it. In that case all insurance policies shall be made over by the Trustee to the owner thereof.

## ARTICLE X

### Termination of the Partnership

If the said co-partnership is terminated before the death of any of the Insureds, thereupon this Agreement shall terminate and the insurance policies shall be made over to each of the Insureds, and all parties shall sign the necessary papers to bring this about.

## ARTICLE XI

### Amendment or Revocation of Contract

The Insureds reserve the right at any time or from time to time to revoke the trusts hereby created, and to change the terms or beneficiaries hereof, and admit additional parties hereto, by filing written notice of such revocation, or change with the Trustee, consented to and executed by all of them. In case of the termination pursuant to the provisions of this paragraph, the insurance policies shall be made over to the respective Insureds, who shall thereafter own and be entitled to all rights and incidents of ownership therein.

In Witness Whereof, this instrument has been executed the day and year first written above:

George W. Doud, Donald Q. McDonald, J. Wesley Carlson, Insureds; H. B. Mackenzie, Trustee.

[Vol. 286]

## APPENDIX

Endorsement of Fixed Price Valuations of Individual Interests of *Bondified Systems*, a Limited Partnership, and *Bondified Systems, Inc.* Under Provisions of Paragraph H-A-3 of Special Purchase Contract, Dated January 1, 1954

(to be Effective if and when Endorsed by all Insureds)  
Date.

Value of each Individual Partnership Interest.

Value of Each Corporate Stock Interest.

Signature of Insureds.

[fol. 287]

## APPENDIX II

### Schedule of Insurance Policies

Attached to and Made Part of Special Purchase Agreement  
Dated January 16th, 1954

The following policies all issued by Central Life Assurance Company of Iowa:

#### *George W. Doud*

Policy No.: 656032

Issued: January 2, 1954, at age 34

Face Value at date of issuance: \$24,000

#### *Donald Q. McDonald*

Policy No.: 656157

Issued: January 2, 1954, at age 35

Face Value at date of issuance: \$23,625

#### *John W. Carlson*

Policy No.: 656300

Issued: January 2, 1954, at age 42

Face Value at date of issuance: \$31,000

[fol. 288]

## PLAINTIFFS' EXHIBIT 42

### Bondified Systems

#### AGENCY LICENSE AGREEMENT

This Agency License Agreement, made and entered into this 11th day of August, 1953, by and between J. Wesley Carlson, Donald Q. McDonald and George W. Doud, co-

partners doing business as Bondified Systems, hereinafter referred to as the Operator, and Eugene Derrick, having his principal place of business at 1022 College Avenue, in the City of Wheaton, County of DuPage, and State of Illinois, an individual, party of the second part, hereinafter referred to as the Agent,

Witnesseth: Whereas, the Operator has been granted the right to the sale and resale of "Bondified" Post Card Checks, a duly copyrighted and state-registered medium for the transfer of money by the use of a post card, and "Bondified" Money Orders, a duly copyrighted and federally-registered medium to transfer money, and

Whereas, the Agent is desirous of selling "Bondified" Post Card Checks and "Bondified" Money Orders to the general public for its use.

Now, Therefore, in consideration of the Agreements hereinafter contained,

The Operator does hereby license the Agent to sell to the public only through the Agent's own business or businesses, "Bondified" Post Card Checks and "Bondified" Money Orders, for which the following rate of fees shall be charged therefor:

From \$0.01 to \$5.00	10 Cents
From \$5.01 to \$10.00	15 Cents
From \$10.01 to \$50.00	25 Cents
From \$50.01 to \$100.00	35 Cents
In excess of \$100.00 same scale applies	

The Agent agrees to charge no less and no more than the aforesaid schedule. In the event of the imposition of any [fol. 289] tax, State or Federal, upon the use of checks or money orders ruled applicable to "Bondified" Post Card Checks and "Bondified" Money Orders, the amount thereof shall be paid by the Purchaser in addition to the fees above prescribed.

The Operator agrees to furnish to the Agent "Bondified" Post Card Checks and/or "Bondified" Money Orders at no charge; provided however, if the Agent desires "Bondified" Post Card Checks and/or "Bondified" Money Orders with Agent's name, the Agent shall, upon the placing of an order for same, with a minimum order of 1,000 of each, deposit

the sum of \$15.00 for each 1,000 "Bondified" Money Orders and \$15.00 for each 1,000 "Bondified" Post Card Checks to cover the cost of printing; in the event of the termination of this License Agreement, the Agent agrees to return all unused printed "Bondified" Post Card Checks and/or "Bondified" Money Orders in his possession to the Operator, and thereupon, the Operator shall credit from the deposit made by the Agent the cost of all used printed "Bondified" Post Card Checks and/or "Bondified" Money Orders from the last delivered lot, and this credit shall be refunded to the Agent.

The Agent agrees not to make or have made copies, extracts or revisions in whole or in part of any "Bondified" Post Card Check or "Bondified" Money Order or any other instruments, supplies, or materials used in connection with the sale of same.

The Agent may do such advertising for the purpose of promoting the sale of "Bondified" Post Card Checks and/or "Bondified" Money Orders as in its opinion may be desirable, but agrees specifically not to use any advertising or do any advertising of any kind, nature or description unless such advertising is first approved in writing by the Operator.

The Agent agrees and is required to collect in cash for the principal amount and the fee for each "Bondified" [fol. 290] Post Card Check and/or "Bondified" Money Order sold. Such funds, except the retention by the Agent of Forty (40%) percent of the fee collected as full compensation for his services, are to be kept in trust for Bondified Systems and shall not be commingled with the general funds of the Agent nor be applied by the Agent for the payment of his personal or business debts. These trust funds are to be mailed to the Operator with check payable at par, Chicago, to Bondified Systems at the close of business every Wednesday and Saturday unless otherwise provided for. The Agent further agrees unequivocally to indemnify the Operator against all loss of such funds so collected. Failure to remit promptly when due or upon demand shall be sufficient cause for revocation of this agreement.

In the event of the termination of this Agreement, Agent agrees to acknowledge and pay over to the Operator all moneys for which he is liable. Agent's records are to re-



mailing property of Agent and be left in his undisputed possession, otherwise all of the records unused "Bondified" Post Card Checks and "Bondified" Money Orders, advertising material and other like supplies furnished to the Agent by the Operator shall be deemed the property of the Operator, and be surrendered to him or his representative on demand.

The Operator shall not be responsible for any Agency expense whatsoever.

The Agent shall, and is required, at the time of the execution of this Agreement, to qualify for and furnish to the Operator, a bond in the principal sum of at least One Thousand (\$1,000.00) Dollars, or such other or greater amount as may be determined by the Operator; such bond to be approved by the Operator and shall be payable to and collectible by the Operator upon the failure of the Agent [fol. 291] faithfully and fully to comply with each and all of the conditions of this Agreement; the premium for such bond to be paid for by the Operator.

This Agreement supersedes all other Agreements, whether oral or written between the Operator and the Agent and may be terminated by either party at once by giving written notice to the other. This Agreement is in all respects a license, and upon termination for any cause, the Agent will not sell, transfer, surrender or permit any person under its control further to sell or transfer "Bondified" Post Card Checks or "Bondified" Money Orders.

The Agent agrees not to sell, give or surrender to anyone whomsoever a mailing list secured or obtained from the sale records of "Bondified" Post Card Checks and or "Bondified" Money Orders but the Operator is at all times empowered and authorized to examine such records without obligation to the Agent.

Dated at Chicago, Illinois, this 11th day of August, 1953.

Bondified Systems, By J. Wesley Carlson, its Partner, Agent, Eugene Derrick. In the presence of M. Frumble. In the presence of: Donald Q. McDonald, Betty Steinhoff.

"Bondified" Reg. U. S. Pat. Off.

# Plaintiff's Exhibit 13

ST. PAUL, MINNESOTA

TO BE ATTACHED TO AND FORM A PART OF BOND NO. 52-102-53, ISSUED BY ANCHOR CASUALTY COMPANY, ST. PAUL, MINNESOTA, IN FAVOR OF BONDFIED SYSTEMS, INC. AND DATED THE 6TH DAY OF OCTOBER, 1953.

NOTICE RECEIVED AND ACCEPTED THAT THE SCHEDULE IS:

EFFECTIVE DATE	AGENT NO.	ADDRESS	AMOUNT
OCTOBER 19, 1953	1 DERRICK DRUGS EUGENE S. DERRICK	1022 COLLEGE WHEATON, ILLINOIS	\$1,000.00
NOVEMBER 18, 1953	502 RENE'S DELICATESSEN BEULAH DIXON	618 W. 26TH AVE. GARY, INDIANA	1,000.00
NOVEMBER 18, 1953	507 UNIVERSITY PHARMACY HARRY P. OCHSTEIN	6011 HOBMAN AVE. HAMMOND, INDIANA	1,000.00
NOVEMBER 18, 1953	508 MEINBERG GROCERY EARL R. MEINBERG	4401 TOWLE AVENUE HAMMOND, INDIANA	1,000.00
NOVEMBER 19, 1953 <i>(EXP 3-19-54)</i>	501 FRANKLIN FOOD SHOP ESTHER BAIO	3500 VIRGINIA ST. GARY, INDIANA	1,000.00
NOVEMBER 19, 1953	503 GARY HEIGHTS MIDWEST STORE NICK GUMAC	3900 W. 11TH AVE. GARY, INDIANA	1,000.00
NOVEMBER 19, 1953	504 GLEN PARK GROCERY RAY ROKICKI	3600 DELAWARE ST. GARY, INDIANA	1,000.00
NOVEMBER 19, 1953	506 G AND G SUPER MART DELMIRO GONZALES & AMANDA GUTIERREZ	709 W. 11TH AVE. GARY, INDIANA	1,000.00
NOVEMBER 20, 1953	509 BOULEVARD PHARMACY EDWARD J. SOPCZAK	3437 MICHIGAN AVE. E. EAST CHICAGO, INDIANA	1,000.00
NOVEMBER 20, 1953	510 BERKES FOOD MART SEYMOUR BERKE	2207 BROADWAY EAST CHICAGO, INDIANA	1,000.00
NOVEMBER 20, 1953	514 5TH AVENUE SUNDRIES MARION D. FARLEY	4836 W. 5TH AVE. GARY, INDIANA	1,000.00
NOVEMBER 23, 1953	505 GATLIN BROS. OFFICE SUPPLIES HARRY T. GATLIN & GEORGE A. GATLIN	1747 BROADWAY GARY, INDIANA	1,000.00
NOVEMBER 23, 1953	512 JEWELL'S GROCERY GEORGE E. JEWELL	3668 BURR STREET GARY, INDIANA	1,000.00
NOVEMBER 23, 1953 <i>(EXP 3-1-54)</i>	517 RICHARD'S FOOD MARKET RICHARD GUNDY	1017 W. 8TH AVE. GARY, INDIANA	1,000.00
NOVEMBER 23, 1953 <i>(EXP 3-1-54)</i>	518 LA PERLA GROCERY HUBERT E. GUTIERREZ	1244 ADAMS GARY, INDIANA	1,000.00
NOVEMBER 30, 1953	522 MORRY'S SUPER MARKET MORRIS E. WEISS	2501 BROADWAY GARY, INDIANA	1,000.00
DECEMBER 1, 1953	513 HY-GRADE MARKET LOUIS W. DAVIS	305 W. 5TH AVE. GARY, INDIANA	1,000.00

EFFECTIVE DATE	No. AGENT	ADDRESS	AMOUNT
✓ DECEMBER 1, 1953 DCKD 1-19-54	515	STAR FOOD MART SAM BAIM	1549 CONNECTICUT ST. \$1,000. GARY, INDIANA
DECEMBER 1, 1953	521	MEISTER'S AGENCY JOHN IVAN MEISTER	3449 CENTRAL AVE. 1,000. EAST GARY, INDIANA
✓ DECEMBER 2, 1953 1-27-54	520	STATE STREET FOOD SHOP GEORGE CHATHAS	101 STATE STREET 1,000. HAMMOND, INDIANA
DECEMBER 2, 1953 Cancelled	523	MIDWEST FOOD MART SOPHIE MALINOWSKI	3517 RIDGE ROAD 1,000. HIGHLAND INDIANA
DECEMBER 3, 1953 Cancelled	519	KESEL PAINT AND HARDWARE STANLEY M. KESEL, JR.	MICHIGAN AND CLEVELAND ST. 1,000. R.R.3, HOBART, INDIANA

SIGNED, SEALED AND DATED THIS 22ND DAY OF DECEMBER, 1953

ANCHOR CASUALTY COMPANY

BY:

ATTORNEY-IN-FACT

1955

Telephone Financial 6-1988

## BONDIFIED SYSTEMS, INC.

**Bondified MONEY ORDERS**808 SOUTH LA SALLE STREET  
CHICAGO 4, ILLINOIS

Gentlemen:

The above has applied for a "Bondified" money order agency, believing that such a service will materially increase his store traffic and add greatly to his sales.

Substantial trust funds will develop, and we, therefore, will appreciate any information you can give us regarding this account. We pledge any and all information given will be held strictly confidential, and we are holding ourselves ready to reciprocate.

For your convenience in replying, we are enclosing a stamped, self-addressed envelope. In grateful appreciation of your prompt attention, we are

Very truly yours,

BONDIFIED SYSTEMS, Inc.

Donald Q. McDonald  
Treasurer

enc.

- 
- |                             |                       |       |
|-----------------------------|-----------------------|-------|
| 1. DISCOUNT?                | PROMPT?               | SLOW? |
| 2. EVER BONDED?             | BANKRUPT?             |       |
| 3. MAXIMUM CREDIT EXTENDED? | HOW LONG IN BUSINESS? |       |
| 4. REMARKS                  |                       |       |

Good administrator of his business?

Is he increasing his store sales volume?

Does he appear honest?





# ANCHOR CASUALTY COMPANY

SAINT PAUL, MINNESOTA

## SCHEDULE HONESTY BOND

1. THE ANCHOR CASUALTY COMPANY, A MINNESOTA CORPORATION, HEREIN CALLED THE COMPANY, IN CONSIDERATION OF AN AGREED PREMIUM, AND SUBJECT TO THE PROVISIONS OF THIS BOND, HEREBY AGREES TO INDEMNIFY BONDIFIED SYSTEMS, INC. AND/OR BONDIFIED SYSTEMS, HEREIN CALLED THE INSURED, FOR ALL LOSS OF MONEY OR OTHER PROPERTY, REAL OR PERSONAL, INCLUDING PROPERTY OF OTHERS FOR WHICH THE INSURED IS LEGALLY LIABLE, THROUGH ANY FRAUDULENT OR DISHONEST ACT OR ACTS, COMMITTED BY ANY PERSON NAMED OR OCCUPYING A POSITION LISTED IN THE SCHEDULE OF INSURANCE CONTAINED HEREIN, OR HEREAFTER ADDED TO THE SCHEDULE BY THE COMPANY'S WRITTEN ACCEPTANCE, WHETHER ACTING ALONE OR IN COLLUSION WITH OTHERS.

## SCHEDULE OF INSURANCE

2. THE LIABILITY OF THE COMPANY SHALL BE EFFECTIVE ON THIS 6TH DAY OF OCTOBER, 1953, AND SHALL NOT EXCEED THE AMOUNT, RESPECTIVELY, SET OPPOSITE THE NAME (SEE ATTACHED SCHEDULE).

## LIMITS OF LIABILITY

3. THE AMOUNT OF INSURANCE ON EACH SUCH PERSON OR POSITION IS THE AMOUNT STATED OPPOSITE THE NAME OF SUCH PERSON OR THE TITLE OF SUCH POSITION IN THE SCHEDULE OF INSURANCE BUT MAY BE INCREASED OR DECREASED BY WRITTEN REQUEST OF THE INSURED AND AGREED TO IN WRITING BY THE COMPANY. IF THE AMOUNT OF INSURANCE ON ANY SUCH PERSON OR POSITION FOR SEPARATE PERIODS BE FOR DIFFERENT AMOUNTS, THE MAXIMUM LIABILITY FOR ALL DEFAULTS OF SUCH PERSON OR ANY PERSON OCCUPYING SUCH POSITION, SHALL NOT EXCEED THE LARGEST AMOUNT OF INSURANCE IN FORCE THEREON IN ANY PERIOD IN WHICH DEFAULT SHALL HAVE OCCURRED AND THE INSURANCE FOR ONE PERIOD SHALL NOT BE AVAILABLE FOR DEFAULTS OCCURRING IN ANY OTHER PERIOD.

REGARDLESS OF THE NUMBER OF YEARS THIS BOND SHALL CONTINUE IN FORCE AND THE NUMBER OF PREMIUMS WHICH SHALL BE PAYABLE OR PAID, THE LIMIT OF THE COMPANY'S LIABILITY SHALL NOT BE CUMULATIVE FROM YEAR TO YEAR, OR FROM PERIOD TO PERIOD.

THE LIABILITY OF THE COMPANY FOR ANY PERSON OCCUPYING MORE THAN ONE POSITION AT ONE TIME, OR AT DIFFERENT TIMES, SHALL NOT EXCEED THE LARGEST AMOUNT OF INSURANCE SPECIFIED FOR ANY POSITION OCCUPIED BY SAID PERSON, NOR SHALL THE LIABILITY OF THE COMPANY EXCEED THE AMOUNT OF INSURANCE IN EFFECT ON SUCH POSITION WHEN THE FRAUDULENT OR DISHONEST ACT OR ACTS OF SUCH PERSONAL SHALL HAVE OCCURRED.

IN THE EVENT THERE ARE MORE PERSONS OCCUPYING A POSITION LISTED IN THE SCHEDULE OF INSURANCE OR ENDORSEMENT THERETO THAN ARE LISTED THEREIN AS OCCUPYING SUCH POSITION, THE COMPANY SHALL BE LIABLE ONLY FOR SUCH PROPORTION OF THE AMOUNT OF INSURANCE AS THE NUMBER OF PERSONS LISTED AS OCCUPYING SUCH POSITION BEARS TO THE NUMBER OF PERSONS ACTUALLY OCCUPYING SUCH POSITION WHEN THE LOSS OCCURRED.

## TEMPORARY AUTOMATIC INSURANCE

4. INSURANCE IS GIVEN FOR A PERIOD OF NOT TO EXCEED NINETY (90) DAYS WITHOUT NOTICE TO THE COMPANY. (A) FOR ANY PERSON WHO IS NOT NAMED IN THE SCHEDULE BUT SUCCEEDS WITHIN THIRTY (30) DAYS TO A POSITION LEFT VACANT BY A PERSON WHO IS NAMED IN THE SCHEDULE, IN THE SAME AMOUNT AS HIS PREDECESSOR, (B) FOR ANY PERSON ENTERING A POSITION LISTED IN THE SCHEDULE WHICH IS ALREADY OCCUPIED BY THE

RETURN TO

AGENT. NO. \_\_\_\_\_

# **BONDIFIED SYSTEMS, INC.**

**208 SOUTH LA SALLE STREET**

**FIRST CLASS MAIL  
RUSH**

**CHICAGO 4, ILLINOIS**

NUMBER OF PERSONS SHOWN IN THE SCHEDULE, IN LIKE AMOUNT, OR (C) FOR ANY PERSON ENTERING A NEWLY CREATED POSITION NOT SHOWN IN THE SCHEDULE, IN THE AMOUNT OF ONE THOUSAND (\$1,000.00) DOLLARS. UNLESS SUCH PERSON OR POSITION IS ADDED TO THE SCHEDULE OF INSURANCE BY THE COMPANY'S ACCEPTANCE WITHIN SUCH NINETY (90) DAYS OR UNLESS NOTICE OF LOSS HAS BEEN GIVEN WITHIN THAT TIME, THE INSURANCE SHALL BE VOID FROM THE BEGINNING.

**DISCOVERY PERIOD**

5. THE INSURANCE PROVIDED HEREIN SHALL APPLY ONLY TO LOSS WHICH SHALL BE DISCOVERED PRIOR TO THE EXPIRATION OF THREE YEARS AFTER TERMINATION OF SUCH INSURANCE ON THE PERSON OR POSITION INVOLVED.

**NOTICE - PROOF OF LOSS - LIMITATIONS**

6. NOT LATER THAN FIFTEEN (15) DAYS AFTER DISCOVERY BY THE INSURED OF ANY LOSS OR OF ANY OCCURRENCE WHICH MAY GIVE RISE TO A CLAIM, THE INSURED SHALL GIVE THE COMPANY WRITTEN NOTICE THEREOF, AND WITHIN THREE (3) MONTHS AFTER SUCH DISCOVERY THE INSURED SHALL FILE WITH THE COMPANY WRITTEN AFFIRMATIVE ITEMIZED PROOF OF LOSS DULY SWORN TO. NO SUIT TO RECOVER ON ACCOUNT OF LOSS UNDER THIS BOND SHALL BE BROUGHT UNTIL NINETY (90) DAYS AFTER PROOF OF LOSS AS REQUIRED HEREIN SHALL HAVE BEEN FURNISHED, NOR AT ALL UNLESS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE UPON WHICH THE LOSS WAS DISCOVERED BY THE INSURED. IF ANY LIMIT OF TIME FOR NOTICE OF LOSS, OR ANY LEGAL PROCEEDING HEREIN CONTAINED IS SHORTER THAN THAT PERMITTED TO BE FIXED BY AGREEMENT UNDER ANY STATUTE CONTROLLING THIS BOND, THE SHORTEST PERMITTED LIMITATION OF TIME SHALL BE SUBSTITUTED THEREFOR.

**SUPERSEDED SURETYSHIP RIDER**

7. ANY LOSS CAUSED BEFORE THE EFFECTIVE DATE OF THIS BOND, BUT DISCOVERED AFTER THE EXPIRATION OF THE PERIOD FOR DISCOVERY PROVIDED IN THE PRIOR BOND (OR IF THERE BE NO SUCH PERIOD, THEN AFTER THE BAR OF THE STATUTE OF LIMITATIONS), SHALL BE COVERED HEREUNDER, WITHIN AND SUBJECT TO ALL THE TERMS, CONDITIONS, AND LIMITATIONS OF THIS BOND ON ITS EFFECTIVE DATE, IN SO FAR AS AND FOR THE AMOUNT THAT LIABILITY THEREFOR WOULD HAVE EXISTED UNDER THE PRIOR BOND HAD THAT BOND CONTINUED IN FORCE. HOWEVER, THIS SUPERSEDED SURETYSHIP RIDER SHALL NOT EXTEND COVERAGE TO ANY SUCH LOSS, WHICH, EVEN THOUGH IT HAD BEEN CAUSED AFTER THE EFFECTIVE DATE OF THIS BOND, WOULD NOT HAVE BEEN COVERED UNDER THE PROVISIONS OF THIS BOND ON THAT DATE. THE INSURER'S LIABILITY UNDER THIS BOND FOR ANY AND ALL LOSSES CAUSED BY ANY ONE EMPLOYEE, BEFORE AND AFTER THIS BOND BECAME EFFECTIVE, IN NO EVENT SHALL EXCEED IN THE AGGREGATE THE LARGEST AMOUNT IN FORCE AT ANY ONE TIME UNDER THIS BOND FOR SUCH EMPLOYEE.

8. IF THE INSURED SHALL SUSTAIN ANY LOSS OR LOSSES COVERED BY THIS BOND WHICH EXCEED THE AMOUNT OF COVERAGE PROVIDED BY THIS BOND, THE INSURED SHALL BE ENTITLED TO ALL RECOVERIES, EXCEPT FROM SURETYSHIP, INSURANCE, REINSURANCE, SECURITY AND INDEMNITY TAKEN BY OR FOR THE BENEFIT OF THE COMPANY, BY WHOMSOEVER MADE, ON ACCOUNT OF SUCH LOSS OR LOSSES UNDER THIS BOND UNTIL FULLY REIMBURSED, LESS THE ACTUAL COST OF EFFECTING THE SAME, AND ANY REMAINDER SHALL BE APPLIED TO THE REIMBURSEMENT OF THE COMPANY.

**DURATION AND TERMINATION OF COVERAGE**

9. THE INSURANCE ON EACH PERSON NAMED OR OCCUPYING A POSITION LISTED IN THE SCHEDULE OF INSURANCE IS CONTINUOUS UNTIL TERMINATED (A) BY TERMINATION OF SUCH POSITION OR THE EMPLOYMENT OF SUCH PERSON, OR (B) BY DISCOVERY BY THE INSURED OF ANY ACT OF A PERSON NAMED OR OCCUPYING A POSITION LISTED IN THE SCHEDULE OF INSURANCE ATTACHED AT ANNIVERSARY DATE.

THE INSURANCE ON ANY PERSON OR POSITION, OR THE BOND IN ITS ENTIRETY MAY BE TERMINATED UPON THE EFFECTIVE DATE SPECIFIED IN A WRITTEN NOTICE SERVED BY THE INSURED UPON THE COMPANY, OR BY THE COMPANY UPON THE INSURED, OR SENT BY MAIL. SUCH DATE, IF THE NOTICE BE SERVED BY THE COMPANY, SHALL BE NOT LESS THAN THIRTY (30) DAYS AFTER SUCH SERVICE, OR, IF SENT BY MAIL, NOT LESS THAN THIRTY-FIVE (35) DAYS AFTER THE DATE OF MAILING. THE COMPANY, ON REQUEST, SHALL REFUND TO THE INSURED THE UNEARNED PREMIUM COMPUTED PRO RATE IF THIS INSURANCE BE TERMINATED BY THE COMPANY OR AT CUSTOMARY SHORT RATES IF TERMINATED BY THE INSURED.

SIGNED, SEALED AND DATED THIS 6TH DAY OF NOVEMBER, 1953.

ANCHOR CASUALTY COMPANY

BY: *[Signature]*  
ATTORNEY-IN-FACT



# ANCHOR CASUALTY COMPANY

SAINT PAUL MINNESOTA

A STOCK COMPANY

## RIDER

TO BE ATTACHED TO AND FORM A PART OF BOND No. 52-102-53, ISSUED BY THE ANCHOR CASUALTY COMPANY, ST. PAUL, MINNESOTA, IN FAVOR OF BONDIFIED SYSTEMS, INC. AND/OR BONDIFIED SYSTEMS AND DATED THE 6TH DAY OF OCTOBER, 1953.

IN CONSIDERATION OF THE PREMIUM CHARGED FOR THE ATTACHED BOND, IT IS HEREBY AGREED THAT:

1. THE UNDERWRITER SHALL NOT BE LIABLE UNDER THE ATTACHED BOND ON ACCOUNT OF ANY LOSS OR LOSSES THROUGH FRAUDULENT OR DISHONEST ACTS COMMITTED BY ANY EMPLOYEE UNLESS THE AMOUNT OF SUCH LOSS OR LOSSES AFTER DEDUCTING THE NET AMOUNT OF ALL REIMBURSEMENTS AND/OR RECOVERY OBTAINED OR MADE BY THE INSURED OR THE UNDERWRITER ON ACCOUNT THEREOF PRIOR TO PAYMENT BY THE UNDERWRITER OF SUCH LOSS OR LOSSES, SHALL BE IN EXCESS OF TWO HUNDRED FIFTY AND NO/100 (\$250.00) DOLLARS (HEREINAFTER CALLED THE DEDUCTIBLE AMOUNT), AND THEN THE UNDERWRITER SHALL BE LIABLE UNDER THE ATTACHED BOND, AS MODIFIED BY THIS RIDER, FOR SUCH EXCESS ONLY, BUT IN NO EVENT FOR MORE THAN THE AMOUNT OF INDEMNITY CARRIED UNDER THE ATTACHED BOND.

2. THE INSURED SHALL, IN THE TIME AND IN THE MANNER PRESCRIBED IN THE ATTACHED BOND, WHETHER OR NOT THE UNDERWRITER IS LIABLE THEREFORE OR FOR ANY PART THEREOF, AND UPON THE REQUEST OF THE UNDERWRITER SHALL FILE WITH IT A BRIEF STATEMENT GIVING THE PARTICULARS CONCERNING SUCH LOSS.

THE ATTACHED BOND SHALL BE SUBJECT TO ALL ITS AGREEMENTS, LIMITATIONS, AND CONDITIONS EXCEPT AS HEREIN EXPRESSLY MODIFIED.

THIS RIDER SHALL BECOME EFFECTIVE AS OF THE BEGINNING OF THE 6TH DAY OF OCTOBER, 1953, STANDARD TIME AS SPECIFIED IN THE ATTACHED BOND.

SIGNED, SEALED AND DATED THIS 6TH DAY OF NOVEMBER, 1953.

ANCHOR CASUALTY COMPANY

BY: [Signature]  
ATTORNEY-IN-FACT



*Dun & Bradstreet, Inc.*INQUIRY  
TICKET

PLEASE PRINT OR TYPE

NAME

TRADE STYLE

BUSINESS

STREET ADDRESS

TOWN &amp; STATE

DATE

## REMARKS FROM SUBSCRIBER:

FIRST ORDER ☐SLOW PAY ☐CHANGE IN OWNERSHIP ☐Use reverse side for additional credit facts and references and check here ☐

BW2-2 (5-51)

BONDIFIED SYSTEMS, INC.  
208 S. LA SALLE ST.  
CHICAGO, ILLINOIS  
2-6488M

R. O.

C. O.

HQ. OFF

## REPORTING OFFICE

OR ☐TO ☐PL ☐ANS ☐

RATED

NQ ☐

BR. OF

## HOME OFFICE

## CENTRAL OFFICE

OR

CD

AD

SEND PER COPIES

OR ☐

*Bondified*  
**POST CARD CHECK**

Use reverse side for additional credit facts and references and check here ☐

BW2-2 (5-51)

BONDIFIED SYSTEMS, INC.  
208 S. LA SALLE ST.  
CHICAGO, ILLINOIS  
2-6488M

## CENTRAL OFFICE

OR

CD

AD

SEND PER COPIES

OR ☐

*Bondified*  
**POST CARD CHECK**

AUTHORIZED



AGENCY

**MONEY ORDER and POST CARD CHECK RATES**

\$ 0.01 to \$ 5.00	.	.	10 cents
5.01 10.00	.	.	15 cents
10.01 50.00	.	.	25 cents
50.01 100.00	.	.	35 cents

"Bondified" Post Card Checks mail for 2c—Air Mail 4c

NAME .....

REPORT DAYS .....

Bondified Systems, Inc.

AGENCY NO. ....

Tel. No. ....

Form No. 3



BONDIFIED SYSTEMS, INCORPORATED  
AGENCY LICENSE AGREEMENT

THIS AGENCY LICENSE AGREEMENT, made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by and between BONDIFIED SYSTEMS, INC., a corporation existing under and by virtue of the laws of the State of Minnesota, with its principal place of business in the City of Chicago, State of Illinois, hereinafter referred to as the Operator, and

located at \_\_\_\_\_ of the City of \_\_\_\_\_  
County of \_\_\_\_\_, State of \_\_\_\_\_, (a corporation) (individual)  
(partnership), party of the second part, hereinafter referred to as the Agent,

WITNESSETH:

WHEREAS, the Operator has been granted the right to the sale and resale of "BONDIFIED" POST CARD CHECKS, a duly copyrighted and state registered medium for the transfer of money by the use of a post card, and "BONDIFIED" MONEY ORDERS, a duly copyrighted and federally-registered medium to transfer money, and

WHEREAS, the Agent is desirous of selling "Bondified" Post Card Checks and "Bondified" Money Orders to the general public for its use.

NOW, THEREFORE, in consideration of the Agreements hereinafter contained:

The Operator does hereby license the Agent to sell to the public only through the Agent's own business or businesses, "Bondified" Post Card Checks and "Bondified" Money Orders, for which the following rate of fees shall be charged therefor:

From \$ 0.01 to \$ 5.00	.10 Cents
From 5.01 to 10.00	.15 Cents
From 10.01 to 50.00	.25 Cents
From 50.01 to 100.00	.35 Cents

In excess of \$100.00 same scale applies

The Agent agrees to charge no less and no more than the aforesaid schedule. In the event of the imposition of any tax, State or Federal, upon the use of checks or money orders ruled applicable to "Bondified" Post Card Checks and "Bondified" Money Orders, the amount thereof shall be paid by the Purchaser in addition to the fees above prescribed.

The Operator agrees to furnish to the Agent "Bondified" Post Card Checks and/or "Bondified" Money Orders, at no charge, provided however, if the Agent desires "Bondified" Post Card Checks and/or "Bondified" Money Orders with Agent's name, the Agent shall, upon the placing of an order for same, with a minimum order of 1,000 of each, deposit the sum of \$15.00 for each 1,000 "Bondified" Money Orders and \$15.00 for each 1,000 "Bondified" Post Card Checks to cover the cost of printing; in the event of the termination of this License Agreement, the Agent agrees to return all unused printed "Bondified" Post Card Checks and/or "Bondified" Money Orders in his possession to the Operator, and thereupon, the Operator shall credit from the deposit made by the Agent the cost of all used printed "Bondified" Post Card Checks and/or "Bondified" Money Orders from the last delivered lot, and this credit shall be refunded to the Agent.

The Agent agrees not to make or have made copies, extracts or revisions in whole or in part of any "Bondified" Post Card Check or "Bondified" Money Order or any other instruments, supplies, or materials used in connection with the sale of same.

The Agent may do such advertising for the purpose of promoting the sale of "Bondified" Post Card Checks and/or "Bondified" Money Orders as in his opinion may be desirable, provided that he first obtains the written approval of the Operator.   
 UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF ILLINOIS  
 CHICAGO, ILLINOIS

PLAINTIFF'S  
EXHIBIT  
14  
EV. WENGER OFF.  
REC. No. \_\_\_\_\_

The Agent agrees and is required to collect in cash for the principal amount and the fee for each "Bondified" Post Card Check and/or "Bondified" Money Order sold. Such funds, except the retention by the Agent of Forty (40%) percent of the fee collected as full compensation for his services, are to be kept in trust for BONDIFIED SYSTEMS, INC. and shall not be commingled with the general funds of the Agent nor be applied by the Agent for the payment of his personal or business debts. These trust funds are to be mailed, with Report Form No. 7, and with check payable at par, Chicago, to BONDIFIED SYSTEMS, INC., at the close of business \_\_\_\_\_ unless otherwise provided for. The Agent further agrees unequivocally to indemnify the Operator against all loss of such funds so collected. Failure to remit promptly when due or upon demand shall be sufficient cause for revocation of this Agreement.

In the event of the termination of this Agreement, Agent agrees to acknowledge and pay over to the Operator all moneys for which he is liable. Agent's records are to remain the property of Agent and be left in his undisputed possession; otherwise all of the records, unused "Bondified" Post Card Checks and "Bondified" Money Orders, advertising material and other like supplies furnished to the Agent by the Operator shall be deemed the property of the Operator and be surrendered to him or his representative on demand.

The Operator shall not be responsible for any Agency expense whatsoever.

The Agent shall, and is required, at the time of the execution of this Agreement, to qualify for and furnish to the Operator, a bond in the principal sum of at least One Thousand (\$1,000.00) Dollars, or such other or greater amount as may be determined by the Operator; such bond to be approved by the Operator and shall be payable to and collectible by the Operator upon the failure of the Agent faithfully and fully to comply with each and all of the conditions of this Agreement; the premium for such bond to be paid for by the Operator.

This Agreement supersedes all other Agreements, whether oral or written, between the Operator and the Agent and may be terminated by either party at once by giving written notice to the other. This Agreement is in all respects a license, and upon termination for any cause, the Agent will not sell, transfer, surrender or permit any person under its control further to sell or transfer "Bondified" Post Card Checks or "Bondified" Money Orders.

The Agent agrees not to sell, give or surrender to anyone whomsoever a mailing list secured or obtained from the sale records of "Bondified" Post Card Checks and/or "Bondified" Money Orders but the Operator is at all times empowered and authorized to examine such records without obligation to the Agent.

Dated at Chicago, Illinois, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

In the presence of:

\_\_\_\_\_  
\_\_\_\_\_

In the presence of:

\_\_\_\_\_  
\_\_\_\_\_

BONDIFIED SYSTEMS, INCORPORATED

By: \_\_\_\_\_

Its \_\_\_\_\_

AGENT

By: \_\_\_\_\_

Its \_\_\_\_\_



NO. 18

ANY OF THE FOLLOWING SIGNATURES ARE AUTHORIZED

BUSINESS

PHONE NO.

ADDRESS

CORPORATE NAME

AGENCY NUMBER



BONDIFIED SYSTEMS  
INC.  
CHICAGO, ILLINOIS

# ANCHOR CASUALTY COMPANY

## APPLICATION FOR FIDELITY BOND

Agency No. \_\_\_\_\_

Amount \$ \_\_\_\_\_

Date \_\_\_\_\_

Name of Applicant		Age	Marital Status	No. of Dependents
Home Address	Phone	Own? <input type="checkbox"/>	Net Value \$	
		Rent? <input type="checkbox"/>	Time Resided	Yrs.
Name of Business	Phone	Individual <input type="checkbox"/>	Partnership <input type="checkbox"/>	Corporation <input type="checkbox"/>
Address - Street, City, Zone, County		Own? <input type="checkbox"/>	Net Value \$	
		Rent? <input type="checkbox"/>	Month \$	
If Corporation: Name Officers. Check those authorized under charter to make contracts.				
Pres. <input type="checkbox"/>		Secy. <input type="checkbox"/>		Inc. Yr.?
V. Pres. <input type="checkbox"/>		Treas. <input type="checkbox"/>		State?
If Partnership: Name all partners.				
Value of Business? \$		Stock	Encumbrances?	Other Income?
		Fixtures		
Have you ever been bankrupt?		(Give details on reverse side)		
Any suits or judgments pending?				
Bank Reference Checking?				
Savings?				
How often do you bank?	Do you have a safe?		If not, how is money protected?	
	Description:			
Have you previously handled money orders?			No. per month?	
Have you previously handled Utility bills?			No. per month?	
Gross store sales last 12 months?		Proprietor how long?		
Holdup & Burglary Insurance?	\$	Company		
	\$	Company		
Life Insurance?	\$	Company		
	\$	Company		

### BUSINESS OR PERSONAL REFERENCES

Name	Occupation	Address

Life Insurance?	\$	Company
	\$	Company
	\$	Company

### BUSINESS OR PERSONAL REFERENCES

Name	Occupation	Address

### PREVIOUS EMPLOYMENT (7 years)

Mo. - Year	Mo. - Year	Employer	Address	Position

### Nearest relatives: (Mother & Father, if living)

Name	Occupation	Address	Relationship

### STATEMENT OF APPLICANTS ASSETS AND LIABILITIES AS OF \_\_\_\_\_, 19\_\_\_\_

ASSETS		LIABILITIES	
Cash in Bank		Capital Stock, authorized	
Stocks, Bonds, etc., Market Value		Capital Stock, Paid up	
Notes Receivable		Borrowed on Stocks, Bonds, etc.	
Accounts Receivable due in days		Notes Payable (how secured)	
Inventory and Supplies		Accounts Payable, payable in days	
Real Estate		Borrowed or Due on Real Estate	
Equipment		Incumbrance on Plant	
Other Assets, consisting of		Other Liabilities, consisting of	
TOTAL ASSETS		TOTAL LIABILITIES	

I hereby agree to reimburse the company for any and all loss and expense sustained through its indemnification or another or others for loss resulting from any fraudulent or dishonest act or acts of mine and to hold the company harmless as respects any such indemnification.

Signed, sealed and dated the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ (SEAL)

Witness

Signature of Applicant

Title



(P. 199)



☐ Money Order

# APPLICATION FOR

Bondified



☐ Post Card Check

\$ Amount

Pay to

1.

2.

3.

Sent By

Street

City

State

Form No.

DO NOT PAY OVER  
~~\$10.00~~ ~~\$100.00~~

← THE RIGHT WAY →

DOLLARS		CENTS	
		3	50

To all "Bondified" Agents and their authorized personnel:

When voiding the unused portions of the "Dollars & Cents" box, please practice extreme caution so that the mark you use cannot be misconstrued as another number. For instance:

DOLLARS		CENTS	
1	1	3	50

DOLLARS		CENTS	
1	1	3	50

Could be misconstrued as \$113.50 or \$13.50

DOLLARS		CENTS	
X	X	3	50

DOLLARS		CENTS	
X	X	3	50

Could be misconstrued as \$43.50

The proper way to void any unused spaces in the "Dollars" box is by drawing 2 straight lines through the unused portion and extending those lines outside the box on the left hand side of the box. Sample in upper right-hand corner is the correct way.

Remember, when writing the written amounts, the words should begin at the extreme left, crowded as closely together as possible, and a line drawn from the last word to the printed "Dollars".

These safety features of the "Bondified" Money Order and Post Card Check are designed for the protection of the Writer, the Buyer, and the Cashier. Your thoughtfulness when writing will insure this protection against people of criminal intent.

**BONDIFIED SYSTEMS**  
BONDIFIED SERVICES, Inc.

## THE "BONDIFIED" MONEY ORDER SYSTEM Instruction Sheet

### MONEY ORDER REPORTS

1. Make out Form 7 in duplicate, original to be sent to Bondified Systems, Inc., copy to be retained for your files.
2. List money orders sold in numerical sequence, entering serial letter, number, amount and fee in proper columns.
3. List Post Card Checks in same manner on same report sheet, skipping a couple of spaces between last money order reported.
4. Complete recap in lower right hand corner.
5. Include all money orders sold on day of that report. Mail Form 7 with your remittance to Bondified Systems, Inc. on report days stipulated. (If remittance includes adjustment of previous report, indicate number of debit or credit memo being adjusted.)

### IMPORTANT

Be sure to use the books in their numerical order. Avoid skipping or using books out of sequence.

Do not leave money order book even for an instant within reach of a customer. Your inventory of blanks should be secreted in a place known only to yourself. EACH MONEY ORDER HAS A VALUE OF \$100.00 WHEN STOLEN, and thefts occur when rules are not followed. If money orders are lost or stolen, notify Bondified Systems, Inc. immediately to avoid our paying a forgery.

### CASHING A MONEY ORDER FOR THE REMITTER

In case a remitter is unable to obtain merchandise or use the money order in the manner intended, you are authorized to cash the money order for the remitter. Obtain his endorsement on the order and cash it at the face amount only (not the fee). DO NOT VOID THIS MONEY ORDER but send it in with your next report and subtract that amount from your remittance for that day. Show serial number of cashed money order at bottom of report.

### VOIDS

When an error is made in writing a money order, do not change it--write VOID with pen and ink across face of order and receipt stub. Report the voided money order in numerical order on the report sheet, writing VOID in the Amounts column. Attach voided order and receipt to report form and send in with your report.

### MONEY ORDER LOST BY CUSTOMER

If customer should report a lost money order, have him call or write Bondified Systems, Inc. Your customer will receive the fastest service possible in issuing him a duplicate money order because of our maintenance of local files.

\*\*\*\*\*

"Bondified" Reg. U.S. Pat. Off.



THE "BONDIFIED" MONEY ORDER SYSTEM  
Instruction Sheet

WRITING THE SNAP-OUT MONEY ORDER

1. With the left hand, insert money order into the check-writer until it hits the guide at the back. Insert so that the right-hand tab is all that shows on the right side of the machine. Pull handle forward.
2. With ball-point pen (to be sure of clear carbon copies), write  
Date  
Payee's name  
Remitter's name and address  
Money order fee just below "cents" amount of money order, over the word "Systems", and that figure will show through in the proper place on the duplicate and triplicate copies.  
Sign the order (authorized signers only).
3. We recommend that the Agent fill in the payee's name and purchaser's name and address. This is entirely up to the Agent, and we recommend it as a service to the customer.
4. Grasping the glued end in one hand, flip the order to separate the perforation cuttings, then tear the copies free with the other hand.
5. Hand the original and yellow copy to the customer, and keep the white copy as your reporting record.

REPORTING MONEY ORDERS

1. List money orders sold on adding machine tape in numerical sequence in "batch" totals of 25 items. Begin each "batch" tape with 01, 26, 51 or 76.
2. For each "batch", list money order amounts, take a total, then list fees for that same group, take a total and tear off tape. At the top of each tape, list Agency name, number and date; opposite the first and last amounts, list serial numbers of those money orders.
3. Record totals by "batches" under Amount and Charges on Form 7 Money Order Report. Complete recap in lower right hand corner.
4. Include all money orders sold on day of that report. You may have a partial "batch" of less than 25. Suppose you sold from 01 through 12; that tape would end with 12 and the next report would also have a partial tape beginning with 13 and ending with 25.
5. If you VOID a money order, leave a blank space on the tape in the sequence where it occurred. Write the word VOID in the blank space. Enclose the voided money order with that report, being sure that VOID is written across the face of the order in ink, with holes punched through all copies.
6. Mail report with remittance check.

Dealer Name

Agency No.

acknowledges receipt of:

Bondified Post Card Checks No. \_\_\_\_\_ to \_\_\_\_\_

Bondified Money Orders No. \_\_\_\_\_ to \_\_\_\_\_

total of \_\_\_\_\_ Books of      Checks to Book.

[illegible]

"Bondified" Reg. U. S. Pat. Off

Bandaged

## AGENT SUPPLY RECEIPT

**Dealer Name**

Agency No.

acknowledges receipt of:

Bondified Post Card Checks No. \_\_\_\_\_ to \_\_\_\_\_ Inc.

Bondified Money Orders No. \_\_\_\_\_ to \_\_\_\_\_ Inc.

total of \_\_\_\_\_ Books of      Checks to Book.

### Supplies.

## Advertising.

**-Please Sign and Return IMMEDIATELY.**

Date \_\_\_\_\_ Signature \_\_\_\_\_

Form M-12

"Bondified" Reg. U. S. Pat. Off.

M T W T F S DAILY SPECIAL

LIMIT

NAME

AGENT NO.

ADDRESS

TEL. NO.

PROPRIETOR

1-13						14-26						27-39						40-52						YEAR 19		
M	T	W	T	F	S	M	T	W	T	F	S	M	T	W	T	F	S	M	T	W	T	F	S	MO.	VOLUME	NET WORTH
																								JAN		
																								FEB		
																								MAR		
																								APR		
																								MAY		
																								JUN		
																								JUL		
																								AUG		
																								SEP		
																								OCT		
																								NOV		
																								DEC		
																								TOT		

INSTALLATION DATE:

CANCELLATION DATE:



Agency No. ....

M.O. No. ....

To "Bondified" Agent .....

PCC. No. ....

Please check your report dated .....  
was listed (or omitted) as checked below.

The above listed order

☐ **VOID**

All voided money orders and/or Post Card Checks must be sent to the office of  
BONNIFED SYSTEMS, Inc. with your report, if you do not have the voided order in  
your possession, please check one of the following: Cannot Find  
Destroyed Other

☐ **DUPLICATE**

Please return signed indemnity agreement.

☐ **NOT LISTED**

Skipped money orders must be reported on your next report.

☐ **SPECIAL**

Remarks: .....

If you have any question, please call  
Sign and return to BONNIFED SYSTEMS, Inc.

Date .....

Authorized Signature .....





# REPORT OF Bondified MONEY ORDERS ISSUED by AGENT NO.

NAME OF AGENT  
CITY

STATE

DATE

19

SETTLED BY

To BONDIFIED SYSTEMS, INC.

Sheet No.



NOTE 1 List money orders and Post Card checks in sequence sold, entering serial, number, amounts and charges in proper columns.  
2 Report voided or spoiled Money Orders in numerical order with notation "VOIDED" in amount column opposite the number. Write "CANCELLED" with pen and ink across face of Order and punch hole in both Order and stub. Attach mutilated order and Receipt Stub to report form.  
3 Report and settlement must be made daily or as instructed.



REG. U. S. PAT. OFF. 4 Report must accompany Agent's remittance to main office. Do not carry forward totals from this sheet to next report.

REG. U. S. PAT. OFF.

SERIES	NUMBER OF ORDERS ISSUED	AMOUNT	CHARGES	DO NOT WRITE HERE	SERIES	NUMBER OF ORDERS ISSUED	AMOUNT	CHARGES	DO NOT WRITE HERE
						TOTAL BROUGHT FORWARD			
1					27				
2					28				
3					29				
4					30				
5					31				
6					32				
7					33				
8					34				
9					35				
10					36				
11					37				
12					38				
13					39				
14					40				
15					41				
16					42				
17					43				
18					44				
19					45				
20					46				
21					47				
22					48				
23					49				
24					50				
25									
26									
BAL. TO CARRY FORWARD					TOTALS				

SPACE FOR AUDITORS

TOTAL NUMBER OF MONEY ORDERS

AMOUNTING TO \$

TOTAL CHARGES FOR USE

AGENT'S COMMISSION 40% OF CHARGES

ALL MONEY ORDERS SOLD TO OR FOR THE USE OF THIS OFFICE ARE TO BE LISTED HERE

CHECK ENCLOSED AMT. DUE BONDIFIED SYSTEMS, INC.

BONDIFIED; REG. U. S. PAT. OFF. FORM 15

SIGNATURE OF AGENT

# BONDRED SYSTEMS, Inc.

Name

Date

Agency No.

M. O. P. C.

List No. of Orders Here,

Money Orders	A	
Post Cards	B	
Gross Fee	C	
Agent Fee	D	
Net Fee	E	
Total M.O. Receipts (A + B + E)	F	
Gas Lite	G	
Net Fee	H	
Electric	I	
Net Fee	J	
Telephone	K	
Net Fee	L	
Water	M	
Net Fee	N	
Total Utility	O	
Total Utility Fee	P	

## RECAPITULATION

Total Receipts (F + O + P)	Q	
Less Short	R	
Add Over	S	
Less Postage	T	
Less Gen. Led. Dr.	U	
Add Gen. Led. Cr.	V	
Net Receipts	W	
Remitted TOTAL	X	

Report is short, over \$

because







DEPOSITED WITH

**CITY NATIONAL BANK**  
**AND TRUST COMPANY of Chicago**

Subject to conditions of agreement printed on back hereof

[illegible][illegible]

FOR ACCOUNT OF  
**BONDIFIED SYSTEMS**

(Please write full title of account.)

DATE \_\_\_\_\_

(P. 210)

# CITY NATIONAL BANK

Subject to conditions of agreement printed on back hereof.

CHECKS ON CHICAGO			CHECKS ON OTHER CITIES (EXCEPT NEW YORK CITY)			CHECKS ON NEW YORK CITY		
						CHECKS ON THIS BANK		
			CURRENCY					
			COIN					
			CHICAGO					
			OTHER CITIES					

<b>CURRENCY</b>			
<b>COIN</b>			
CHICAGO			
OTHER CITIES			
NEW YORK CITY			
CHECKS ON THIS BANK			
<b>TOTAL</b>			

FOR ACCOUNT OF  
BONDIFIED SYSTEMS SPECIAL ACCOUNT

(Please write full title of account.)

DATE:





# LOST MONEY ORDER TRACER

Date \_\_\_\_\_

☐ Agent \_\_\_\_\_ No. \_\_\_\_\_

☐ Remitter \_\_\_\_\_ Phone \_\_\_\_\_

Address \_\_\_\_\_

☐ Payee \_\_\_\_\_ Phone \_\_\_\_\_

P. C. \_\_\_\_\_  
M. O. No. \_\_\_\_\_ Amount \_\_\_\_\_ Date \_\_\_\_\_

Indemnity Issued \_\_\_\_\_ Sign \_\_\_\_\_

Remarks \_\_\_\_\_

☐ Inquiry made by  
FORM 22



Sign \_\_\_\_\_



# BONDIFIED SYSTEMS, Inc.

## *Bondified* MONEY ORDERS

208 SOUTH LA SALLE STREET  
CHICAGO 4, ILLINOIS

Dear Customer:

On further investigation of the money order which you reported lost or missing, we find that the money order still has not cleared. If you will indemnify this company against loss, we can issue a duplicate of the lost money order to you. By completion of the form below, you agree to reimburse us for overpayment in the event that we should pay both the duplicate and the missing money order. If the lost money order is found, please return it to us for cancellation.

There is no additional charge for this service other than the fee for the money order, \_\_\_\_\_¢. You may enclose coin or stamps for the fee. Kindly enclose the original receipt for the lost money order, bearing the serial number. The "Bondified" System enables us to give you prompt service because it is the only nationally distributed money order which is cleared and kept on file locally. We are pleased to be of service.

Yours truly,

BONDIFIED SYSTEMS, Inc.

Donald Q. McDonald - Treasurer

### INDEMNITY AGREEMENT

(Please fill in all X's)

Dated X \_\_\_\_\_ 19 \_\_\_\_

In consideration of a duplicate "Bondified" Money Order, numbered \_\_\_\_\_ in the sum of \$ \_\_\_\_\_, issued to me by Bondified Systems, Inc. to replace the original which has been lost, I, \_\_\_\_\_, residing at

(Street) \_\_\_\_\_ (City) \_\_\_\_\_ (State) \_\_\_\_\_ (Phone) \_\_\_\_\_

do agree to save Bondified Systems, Inc. and its Agent, \_\_\_\_\_,

harmless against loss in the event that original "Bondified" Money Order No. \_\_\_\_\_

issued \_\_\_\_\_, 19 \_\_\_\_, payable to \_\_\_\_\_

in the sum of \$ \_\_\_\_\_ is paid by paying bank. If found, I agree to return original "Bondified" Money Order for cancellation.

Witnessed: X. \_\_\_\_\_

Signed: X. \_\_\_\_\_

I am employed by \_\_\_\_\_  
Address \_\_\_\_\_

(If not employed, give character reference; indicate which)

# BONDIFIED SYSTEMS, INC.

## Bondified MONEY ORDERS

208 SOUTH LA SALLE STREET  
CHICAGO 4, ILLINOIS

Gentlemen:

This will acknowledge and confirm your representations to us that you have lost, misplaced or inadvertently destroyed a "Bondified" Money Order (or Post Card Check) in which you were named as the payee, and which you have requested that we re-issue or replace.

Please execute the indemnity agreement at the bottom of this letter and return to us. It will be necessary to have your signature acknowledged before a notary public in the manner indicated.

Yours truly,  
BONDIFIED SYSTEMS, Inc.

Donald Q. McDonald - Treasurer

### INDEMNITY AGREEMENT

State of \_\_\_\_\_ ss  
County of \_\_\_\_\_ Dated \_\_\_\_\_ 19\_\_\_\_

In consideration of a duplicate "Bondified" Money Order (or Post Card Check) number \_\_\_\_\_ in the sum of \$ \_\_\_\_\_, issued to me as payee by Bondified Systems, Inc. to replace the original which has been lost, misplaced or inadvertently destroyed, I, \_\_\_\_\_, residing at

(Street) \_\_\_\_\_ (City) \_\_\_\_\_ (State) \_\_\_\_\_ (Phone) \_\_\_\_\_

do agree to save Bondified Systems, Inc. and its Agent, \_\_\_\_\_, harmless against loss in the event that original "Bondified" Money Order (or Post Card Check) No. \_\_\_\_\_, issued \_\_\_\_\_ 19\_\_\_\_, remitted by \_\_\_\_\_ to me as payee in the sum of \$ \_\_\_\_\_

is paid or honored by any banking institution, irrespective of the genuineness of endorsements. If said "Bondified" Money Order (or Post Card Check) is found, I agree to return it at once for cancellation.

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_

Notary Public, \_\_\_\_\_ County, State  
My commission expires: \_\_\_\_\_



## AUDIT WORK SHEET

Agency Name \_\_\_\_\_ No. \_\_\_\_\_

Address \_\_\_\_\_

Audit Report \_\_\_\_\_ Blanks on Hand \_\_\_\_\_

Outstanding Money Orders \_\_\_\_\_

Outstanding P. C. Checks \_\_\_\_\_

Outstanding Memos \_\_\_\_\_ Balance on Account \$ \_\_\_\_\_  
No. & Amt. \_\_\_\_\_

Remarks \_\_\_\_\_

BONDIFIED SYSTEMS, INC.

Date \_\_\_\_\_ 19\_\_\_\_ By \_\_\_\_\_ Auditor \_\_\_\_\_

SUPPLIES WERE PICKED UP AND AGENCY WAS CANCELED ON \_\_\_\_\_ 19\_\_\_\_

Reason \_\_\_\_\_

Entered checks back into Inventory \_\_\_\_\_  
(If stock)  
Adjusted imprint Deposit with Ck# \_\_\_\_\_  
(If imprints)

Notified Utilities on \_\_\_\_\_

Notified State on \_\_\_\_\_

Canceled Bond \_\_\_\_\_

Rec'd Change Endorsement # \_\_\_\_\_

OK'd by \_\_\_\_\_ Date \_\_\_\_\_ 19\_\_\_\_



**NOTICE OF CANCELLATION**  
**BONDIFIED SYSTEMS Inc.**

AGENCY No. ....

EFFECTIVE .....

REFERENCE .....

Gentlemen:

Please cancel from our agents schedule bond coverage applying to the following:

Name of Agency .....

Address .....  
(Street) (City) (State)

Proprietor .....

Reason for Cancellation .....

**BONDIFIED SYSTEMS** of

By .....

Its .....



212

F 21522

DATE \_\_\_\_\_ 19\_\_

To Whom Paid

Remitter

Address

AMOUNT \$ \_\_\_\_\_

FEE \$ \_\_\_\_\_

TOTAL \$ \_\_\_\_\_

AGENT'S RECORD

Keep this stub, it is your *Bondified* receipt.

F 21522

DATE \_\_\_\_\_ 19\_\_

To Whom Paid

Address



AMOUNT \$ \_\_\_\_\_

FEE \$ \_\_\_\_\_

TOTAL \$ \_\_\_\_\_

Pay your bills here.

BONDIFIED SYSTEMS, INC.  
Chicago, Illinois

AGENCY

*Bondified* MONEY ORDER

DO NOT PAY OVER

\$10 - \$50 - \$100

2-11  
710

CITY NATIONAL BANK

and Trust Company

of Chicago

2-11  
710

Member Federal Reserve System

F 21522

DATE \_\_\_\_\_

PAY  
TO THE  
ORDER OF

DOLLARS

CENTS



*Bondified* Money Order Service, Operated Under License Granted to

BONDIFIED SYSTEMS, INC.  
Chicago, Illinois

DOLLARS

25

Remitter

Agency

No.

Address

Licensed

Bonded

Authorized Signature

Checks Inc., Mpls., Minn.

Reg. U. S. Pat. Off.



IF DEFACED OR CHANGED, DO NOT PAY



E 1739

DATE \_\_\_\_\_ 19\_\_

To Whom Paid

Remitter

Address

AMOUNT \$

FEE

TOTAL

AGENT'S RECORD

Keep this stub, it is your *Bondified* receipt.

E 1739

DATE \_\_\_\_\_ 19\_\_

To Whom Paid

Address

3 3

AMOUNT \$

FEE

TOTAL

Pay your bills here.  
**BONDIFIED SYSTEMS, INC.**  
Chicago, Illinois

AGENCY

<i>Bondified</i> POST CARD CHECK			
DO NOT PAY OVER \$10-\$50-\$100	CITY NATIONAL BANK and Trust Company of Chicago Member Federal Reserve System	E 1739	
2-11 710		2-11 710	
DATE _____ 19__			
Pay to the order of addressee on other side \$			
BONDIFIED* Post Card Check Service, Operated Under License Granted to			
BONDIFIED SYSTEMS, INC. 25			
Chicago, Illinois			
Cancellation of postage necessary before payment.			
Party receiving Bondified post card check shall credit to name of sender as shown on opposite side.			
Agency _____ No. _____			
3 3			
LICENSED			
BONDED			
Authorized Signature			
© 1939-41 Checks, Inc., Mpls., Minn.			
*Reg. U. S. Pat. Off. & Under State Laws			

325

# *Bondified* MONEY ORDER

DO NOT PAY OVER  
\$10-\$50-\$100

CITY NATIONAL BANK  
and Trust Company  
of Chicago  
Member Federal Reserve System

2-11  
710

1 A 25108

DATE \_\_\_\_\_

**P**AY  
TO THE  
ORDER OF \_\_\_\_\_

DOLLARS			CENTS

3  3

Bondified\* Money Order Service, Operated Under License Granted to

BONDIFIED SYSTEMS, INC., Chicago, Ill. DOLLARS  
25

From \_\_\_\_\_

Agency \_\_\_\_\_ No. \_\_\_\_\_

Address \_\_\_\_\_

Licensed



Bonded

Authorized Agency Signature \_\_\_\_\_

Checks Inc., Mpls., Minn.

\* Reg. U. S. Pat. Off.

VALID ONLY IF FILLED IN WITH INK

IF DEFACED OR CHANGED, DO NOT PAY

326

(P. 220)

*Bondified*  
*Bondified*  
*Bondified*



327

(P. 221)

VALID ONLY IF FILLED IN WITH INK

DO NOT PAY OVER  
\$100<sup>00</sup>

DATE \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_

From \_\_\_\_\_


Address \_\_\_\_\_

**Bondified MONEY ORDER**

CITY NATIONAL BANK  
and Trust Company  
of Chicago  
Member Federal Reserve System


AA

5608

3  3

Bondified\* Money Order Service. Operated Under License Granted to

BONDIFIED SYSTEMS, INC., Chicago, Ill.



Licensed

Bonded

\* Reg. U. S. Pat. Off.

Checks Inc., Mpls., Minn.

Authorized Agency Signature \_\_\_\_\_

IF DEFACED OR CHANGED, DO NOT PAY

2-11-710

25

*Bondified*  
*Bondified*  
*Bondified*

1016 La Salle

Address

Licensed



Bonded

Reg. U.S. Pat. Off.

Authorized Signature

Checks Inc., Mpls., Minn.

# Bondified MONEY ORDER

DO NOT PAY OVER

~~10-50-100~~

2-11  
710

CITY NATIONAL BANK

and Trust Company

2-11  
710

of Chicago

Member Federal Reserve System

D

8

DATE

Nov 19 1953

PAY TO THE ORDER OF

Dept Registration & Education

DOLLARS			CENTS
7	=	2	

DOLLARS

25

BONDIFIED SYSTEMS

Chicago, Illinois

Derrick Drugs

Agency No. 1

Remitter

R. W. Derrick

Address

317 E. Lincoln

Licensed



Bonded

Reg. U.S. Pat. Off.

Authorized Signature

Checks Inc., Mpls., Minn.

# Bondified MONEY ORDER

DO NOT PAY OVER

~~10-50-100~~

CITY NATIONAL BANK

and Trust Company

2-11  
710

of Chicago

Member Federal Reserve System

D

9

DATE

Nov 20 1953

PAY TO THE ORDER OF

Commercial Credit Corp

DOLLARS			CENTS
1	3		

DOLLARS

25

BONDIFIED SYSTEMS

Chicago, Illinois

Derrick Drugs

Agency No. 1

Remitter

Earl Harrison

Address

1014 College Ave

Licensed



Bonded

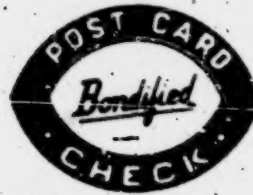
Reg. U.S. Pat. Off.

Authorized Signature

Checks Inc., Mpls., Minn.

330a





A

4579

SHOW COMPLETE  
ORDER NUMBER  
ON PACKAGES  
AND INVOICES

# CHECKS, INCORPORATED

MINNEAPOLIS 2 MINNESOTA

MESSRS. Golden Printing Company  
Minneapolis, Minnesota

DATE October 6, 1953

GENTLEMEN: PLEASE FORWARD FOR OUR ACCOUNT

TO Check, Inc.  
1564 N. W. Blvd.  
Mpls. 2, Minn.

SHIP VIA: Del.

WHEN: Rush.

UNITED STATES DISTRICT COURT NORTHERN DISTRICT  
OF MINNESOTA EASTERN DIVISION - BEFORE JUDGE HOFFMAN

PLAINTIFF'S  
EXHIBIT

15

100 only "Bondified" Stock Money Orders, Series D, imprinted

Series M to 100

BONDIFIED SYSTEMS  
Chicago, Illinois

Barriek Drugs

Agency No. 1

Depository:

2-11  
710

CITY NATIONAL BANK  
and Trust Company  
of Chicago

2-11  
710

Member Federal Reserve System

NOTE: Number 25 - use light bold face type  
Proof Please.

AGCY. R.

INVENT.

CONTR'T.

ACK'D.

LAID

Oct 9, 1953

VIA McDonald - card

BILLED 4974

PAID 4036

CHECKS, INCORPORATED

BY

*[Handwritten signature]*



Bondified Reg U.S. Pat Off



ORIGINAL ORDER

Exhibit 10

ORDER

**CHECKS, INCORPORATED**

NORTHWESTERN BANK BUILDING

MINNEAPOLIS 2, MINNESOTA

No 2075

SOLD TO BONDIFIED SYSTEMS  
STREET 208 South LaSalle  
CITY Chicago ZONE 4 STATE Illinois

Date 10/6/53 Salesman  
Ship 10/9/53  
To Shipped  
Ship McDonald  
Via Shipping  
Bill Charge  
To

Check	Quantity	ITEM	Price	Unit	Extension	Do Not Write Here
		M BONDIFIED POST CARD CHECKS, Stub, (Stock) (Imprint)				
		M BONDIFIED MONEY ORDERS, Stub (Stock) (Imprint)				
	100 Only	"Bondified" Money Orders, 2-Stub, Series D				
TOTAL						

PRINTING INSTRUCTIONS MUST BE ACCURATE - PROOF UNNECESSARY

DO NOT PAY OVER SERIES D NUMBER 1 TO NUMBER 100 INCLUSIVE  
PAYABLE (BANK NAME) City National Bank & Trust AGENCY IMPRINT Derrick Drugs  
(BANK CITY) Chicago STATE Ill. AGENCY NO 1  
LICENSE NO TRANSIT NO

TERMS: NET CASH

-ABOVE COPY CORRECT AS AUTHORIZED BY:

DO NOT WRITE HERE

CUSTOMER

BONDIFIED SYSTEMSP.O. No. 44579

ORDER ACCEPTED BY

Donald W. McDonaldInvoice No. 4974

DATE OF APPROVAL

Inventory I

OK'd By



Clark's Note: The representations on my order are specimens representative of a volume group of similar representations which are being omitted in printing.

Bondified MONEY ORDER									
DO NOT PAY OVER <del>\$10-\$50-\$100</del>	2-11 710	CITY NATIONAL BANK and Trust Company of Chicago Member Federal Reserve System	2-11 710						
E 7579			D 2						
DATE	Oct 26	1953							
PAY TO THE ORDER OF	Blue Cross Blue Shield		<table border="1"> <tr><td colspan="2">DOLLARS</td></tr> <tr><td>4</td><td>50</td></tr> <tr><td colspan="2">CENTS</td></tr> </table>	DOLLARS		4	50	CENTS	
DOLLARS									
4	50								
CENTS									
From \$100.00		DOLLARS							
Bondified Money Order Service, Operated Under License Granted to		BONDIFIED SYSTEMS 25							
Remitter		Chicago, Illinois							
Ola Christensen		Derrick Drugs							
1012 College Ave.		Agency No. 1							
Address		Authorized Signature							
Licensed		Bonded							
Checks Inc., Mpls., Minn.		Reg. U. S. Pat. Off.							

Bondified MONEY ORDER									
DO NOT PAY OVER <del>\$10-\$50-\$100</del>	2-11 710	CITY NATIONAL BANK and Trust Company of Chicago Member Federal Reserve System	2-11 710						
			D 5						
DATE	Nov 10	1953							
PAY TO THE ORDER OF	Marsh & Nicolson		<table border="1"> <tr><td colspan="2">DOLLARS</td></tr> <tr><td>5</td><td>00</td></tr> <tr><td colspan="2">CENTS</td></tr> </table>	DOLLARS		5	00	CENTS	
DOLLARS									
5	00								
CENTS									
Bondified Money Order Service, Operated Under License Granted to		BONDIFIED SYSTEMS 25							
Remitter		Chicago, Illinois							
Willard Merritt		Derrick Drugs							
Address		Agency No. 1							
Licensed		Bonded							
Checks Inc., Mpls., Minn.		Reg. U. S. Pat. Off.							

Bondified MONEY ORDER									
DO NOT PAY OVER <del>\$10-\$50-\$100</del>	2-11 710	CITY NATIONAL BANK and Trust Company of Chicago Member Federal Reserve System	2-11 710						
			D 5						
DATE	Nov 10	1953							
PAY TO THE ORDER OF	Marsh & Nicolson		<table border="1"> <tr><td colspan="2">DOLLARS</td></tr> <tr><td>5</td><td>00</td></tr> <tr><td colspan="2">CENTS</td></tr> </table>	DOLLARS		5	00	CENTS	
DOLLARS									
5	00								
CENTS									
Bondified Money Order Service, Operated Under License Granted to		BONDIFIED SYSTEMS 25							
Remitter		Chicago, Illinois							
Willard Merritt		Derrick Drugs							
Address		Agency No. 1							
Licensed		Bonded							
Checks Inc., Mpls., Minn.		Reg. U. S. Pat. Off.							

Bondified MONEY ORDER									
DO NOT PAY OVER <del>\$10-\$50-\$100</del>	2-11 710	CITY NATIONAL BANK and Trust Company of Chicago Member Federal Reserve System	2-11 710						
			D 6						
DATE	Nov 11	1953							
PAY TO THE ORDER OF	The Amundsen Publishing Co.		<table border="1"> <tr><td colspan="2">DOLLARS</td></tr> <tr><td>6</td><td>00</td></tr> <tr><td colspan="2">CENTS</td></tr> </table>	DOLLARS		6	00	CENTS	
DOLLARS									
6	00								
CENTS									
Bondified Money Order Service, Operated Under License Granted to		BONDIFIED SYSTEMS 25							
Remitter		Chicago, Illinois							
Amalie Christensen		Derrick Drugs							
1012 College Ave.		Agency No. 1							
Address		Authorized Signature							
Licensed		Bonded							
Checks Inc., Mpls., Minn.		Reg. U. S. Pat. Off.							



# Bondified MONEY ORDER

DO NOT PAY OVER

~~\$10~~ - ~~\$50~~ - ~~\$100~~

2-14

710

CITY NATIONAL BANK

and Trust Company

of Chicago

Member Federal Reserve System

D

7

DATE

Nov 16 1953

PAY TO THE ORDER OF

Alibens Inc

DOLLARS

=	=	5	00
			CENTS

DOLLARS

Bondified\* Money Order Service, Operated Under License Granted to

BONDIFIED SYSTEMS

Chicago, Illinois

25

3-3

Remitter

Willard Merritt

Derrick Drugs

Agency No.

Address

1016 Calhoun

Licensed



Bonded

Authorized Signature

\* Reg. U. S. Pat. Off.

Checks Inc., Mpls., Minn.

# Bondified MONEY ORDER

DO NOT PAY OVER

~~\$10~~ - ~~\$50~~ - ~~\$100~~

2-11

710

CITY NATIONAL BANK

and Trust Company

of Chicago

Member Federal Reserve System

2-11

710

D

8

DATE

Nov 19 1953

PAY TO THE ORDER OF

Dept Registration & Education

DOLLARS

=	=	2	00
			CENTS

DOLLARS

Bondified\* Money Order Service, Operated Under License Granted to

BONDIFIED SYSTEMS

Chicago, Illinois

25

3-3

Remitter

D. W. Derrick

Derrick Drugs

Agency No. 1

3173 Lunch



Authorized Signature



Plaintiff's Exhibit 17

REPORT OF Bondified MONEY ORDERS ISSUED by AGENT NO. 1

NAME OF AGENT DERRICK Drugs  
CITY WHEATON

STATE ILLINOIS

DATE 11-5-53

SETTLED BY

To BONDIFIED SYSTEMS

Sheet No. 1

NOTE 1: List money orders and Post Card checks in sequence sold, entering serial, number, amounts and charges in proper columns.

2. Report voided or spoiled Money Orders in numerical order with notation "VOIDED" in amount column opposite the number. Write "CANCELLED" with pos and ink across face of Order and punch hole in both Order and stub. Attach mutilated order and Receipt 325 to report form.

3. Report and settlement must be made daily or as instructed.

REG. U. S. P. T. OFF. 4. Report must accompany Agent's remittance to main office. Do not carry forward totals from this sheet to next report.

REG. U. S. PAT. OFF.

SERIES	NUMBER OF ORDERS ISSUED	AMOUNT	CHARGES	DO NOT WRITE HERE	SERIES	NUMBER OF ORDERS ISSUED	AMOUNT	CHARGES	DO NOT WRITE HERE
1 D	1	25-	25			X	TOTAL BROUGHT FORWARD		
2	2	4 50	10		27				
3	3	8 25	15		28				
4	4	1 00	10		29				
					30				
					31				
					32				
					33				
					34				
					35				
					36				
					37				
					38				
					39				
					40				
					41				
					42				
					43				
					44				
					45				
					46				
					47				
					48				
					49				
					50				

UNITED STATES COURT HOUSE EASTERN DISTRICT OF ALABAMA EASTERN DIVISION - REPORT JUDGE DUFFIELD

✓ **17**  
EVERETT E. WENGER, OFFICIAL COURT REPORTER

5302322

SAL TO CARRY FORWARD

SPACE FOR AUDITORS

TOTAL NUMBER OF MONEY ORDERS

TOTAL CHARGES FOR USE

AGENT'S COMMISSION 40% OF CHARGES

ALL MONEY ORDERS SOLD TO THE TIME OF THIS REPORT ARE INCLUDED HERE

CHECK ENCLOSED AMT. DUE

SIGNATURE OF AGENT



# REPORT OF Bondified MONEY ORDERS ISSUED by AGENT NO. 1

NAME OF AGENT Herroch Dings  
CITY Wheaton STATE Ill

DATE 12-1-1953  
SETTLED BY McDonnell

~~For CURRENCY SERVICES~~ **BONDIFIED SYSTEMS**

Sheet No.



- NOTE 1: List money orders and Post Card checks in sequence sold, entering serial, number, amounts and charges in proper columns.  
2. Report voided or spoiled Money Orders in numerical order with notation "VOIDED" in amount column opposite the number. Write "CANCELLED" with pen and ink across face of Order and punch hole in both Order and stub. Attach mutilated order and Receipt Stub to report form.  
3. Report and settlement must be made daily or as instructed.  
4. Report must accompany Agent's remittance to main office. Do not carry forward totals from this sheet to next report.

REG. U. S. PAT. OFF.

REG. U. S. PAT. OFF.

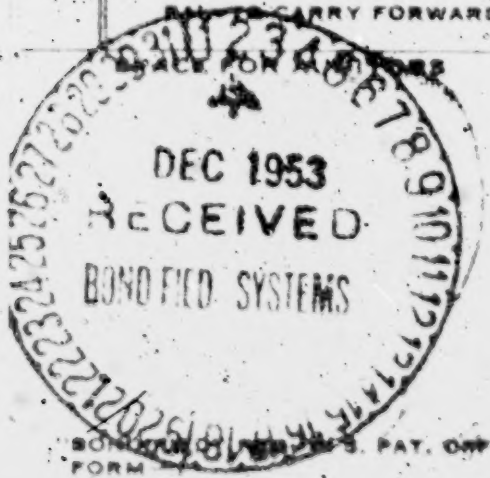
SERIES	NUMBER OF ORDERS ISSUED	AMOUNT	CHARGES	DO NOT WRITE HERE	SERIES	NUMBER OF ORDERS ISSUED	AMOUNT	CHARGES	DO NOT WRITE HERE
1 <u>D</u>	5	5 00	10		27 <u>X</u>	TOTAL BROUGHT FORWARD			
2	6	6 00	15		28				
3	7	5 00	10		29				
4	8	2 00	10		30				
5	9	13 35	25		31				
6	10	25 35	25		32				
7	11	21 63	25		33				
8	12	3 56	10		34				
9		81 89	130		35				
10					36				
11					37				
12					38				
13					39				
14					40				
15					41				
16					42				
17					43				
18					44				
19					45				
20					46				
21					47				
22					48				
23					49				
24					50				
25									
26									

**TOTALS**

TOTAL NUMBER OF MONEY ORDERS	8	AMOUNTING TO	81 89
TOTAL CHARGES FOR USE			1 30
			83 19
AGENT'S COMMISSION 40% OF CHARGES			52
CHECK ENCLOSED AMT. DUE			82 67

ALL MONEY ORDER SOLD TO THE TIME OF THIS REPORT ARE INCLUDED HEREIN

SIGNATURE OF AGENT Herroch Dings





DATE REPORTED	DATE PAID	No	AMOUNT REPORTED	AMOUNT PAID	No
NOV 5 53	OCT 27 53	1	2 5.00	2 5.00	1
NOV 5 53	NOV 6 53	2	4.50	4.50	2
NOV 5 53	NOV 6 53	3	8.25	8.25	3
NOV 5 53		4	1.00		4
DEC 2 53	NOV 16 53	5	5.00	5.00	5
DEC 2 53	DEC 1 53	6	6.00	6.00	6
DEC 2 53	NOV 18 53	7	5.00	5.00	7
DEC 2 53	NOV 24 53	8	2.00	2.00	8
DEC 2 53	NOV 24 53	9	1 3.35	1 3.35	9
DEC 2 53	NOV 27 53	10	2 5.35	2 5.35	10
DEC 2 53	DEC 8 53	11	2 1.63	2 1.63	11
DEC 2 53	DEC 9 53	12	3.56	3.56	12
DEC 17 53	DEC 8 53	13	2 6.70	2 6.70	13
DEC 17 53	DEC 7 53	14	5.00	5.00	14
DEC 17 53	DEC 8 53	15	5.00	5.00	15
DEC 17 53	DEC 9 53	16	7.71	7.71	16
DEC 17 53	DEC 15 53	17	7 7.45	7 7.45	17
DEC 17 53	DEC 10 53	18	3 4.19	3 4.19	18
DEC 17 53	DEC 14 53	19	1 8.00	1 8.00	19
DEC 17 53	DEC 11 53	20	3.00	3.00	20
DEC 17 53	DEC 11 53	21	4 2.05	4 2.05	21
DEC 17 53	DEC 17 53	22	1 0.00	1 0.00	22
DEC 17 53	DEC 21 53	23	8 0.00	8 0.00	23
DEC 17 53	JAN 4 54	24	1 0.00	1 0.00	24
DEC 31 53	DEC 29 53	25	1.50	1.50	25
		26			26
		27			27
		28			28
		29			29
		30			30
	DEC 29 53	31	3 6.67		31
	DEC 29 53	32	3 6.00		32
		33			33
		34			34
		35			35
		36			36
		37			37
		38			38
		39			39
		40			40
		41			41
		42			42
		43			43
		44			44
		45			45
		46			46
		47			47
		48			48
		49			49
		50			50

AGENT No 1

SERIES D 1 - 25

AGENT NAME Derrick Drugs

MAIL DATE October 19, 1953

AMOUNT OF ITEMS	DATE	PREV BAL	BALANCE
2 5.00	OCT 27 53		2 5.00
3 8.75	NOV 5 53	2 5.00	1 3.75
5.00	NOV 16 53	1 3.75	8.75
5.00	NOV 16 53	8.75	3.75
1 3.35	NOV 24 53	* 3.75	1 7.10
2.00	NOV 25 53	1 7.10	1 9.10
1 2.75	NOV 6 53	1 9.10	3 1.85
7.50	NOV 27 53	3 1.85	2 4.35
2 5.35	NOV 27 53	2 4.35	4 9.70
6.00	DEC 1 53	4 9.70	5 5.70
1 1.89	DEC 2 53	5 5.70	2 6.19
5.00	DEC 7 53	2 6.19	2 1.19
5 3.33	DEC 8 53	2 1.19	3 2.14
1 1.27	DEC 9 53	3 2.14	4 3.41
3 4.19	DEC 10 53	4 3.41	7 7.60
4 5.05	DEC 11 53	7 7.60	1 2 2.65
1 8.02	DEC 14 53	1 2 2.65	1 4 0.67
0.02	DEC 14 53	1 4 0.67	1 4 0.65
7 7.45	DEC 15 53	1 4 0.65	2 1 8.10
3 1 9.10	DEC 17 53	2 1 8.10	1 0 1.00
1 0.00	DEC 17 53	1 0 1.00	9 1.00
8 0.00	DEC 21 53	9 1.00	1 1.00
7 4.17	DEC 29 53	1 1.00	6 3.47
1.50	DEC 29 53	1 1.00	9.50
1.50	DEC 31 53	9.50	1 1.00
1 0.00	JAN 4 54	1 1.00	1.00

CURRENCY SERVICES, INC.



DATE REPORTED	DATE PAID	NO	AMOUNT REPORTED	AMOUNT PAID	NO
		1			1
		2			2
		3			3
		4			4
		5			5
		6			6
		7			7
		8			8
		9			9
		10			10
		11			11
		12			12
		13			13
		14			14
		15			15
		16			16
		17			17
		18			18
		19			19
		20			20
		21			21
		22			22
		23			23
		24			24
		25			25
DEC 31 53	DEC 30 53	26	4 4.36	4 4.36	26
DEC 31 53	DEC 31 53	27	1 0.00	1 0.00	27
DEC 31 53	DEC 30 53	28	6.00	6.00	28
DEC 31 53	DEC 30 53	29	2 0.00	2 0.00	29
DEC 31 53	JAN 4 54	30	2 0.00	2 0.00	30
DEC 31 53	DEC 29 53	31	3 6.67	3 6.67	31
DEC 31 53	DEC 29 53	32	3 6.00	3 6.00	32
DEC 31 53	DEC 30 53	33	1 1.56	1 1.56	33
DEC 31 53	JAN 5 54	34	5.44	5.44	34
		35	V		35
DEC 31 53	JAN 7 54	36	2 1.73	2 1.73	36
DEC 31 53	FEB 19 54	37	6.60	6.60	37
DEC 31 53	JAN 7 54	38	3.00	3.00	38
DEC 31 53	JAN 6 54	39	1 0.08	1 0.08	39
DEC 31 53	JAN 8 54	40	9.09	9.09	40
DEC 31 53	JAN 8 54	41	6.40	6.40	41
JAN 12 54	JAN 12 54	42	4.58	4.58	42
		43	V	V	43
JAN 12 54	JAN 12 54	44	5.00	5.00	44
JAN 12 54	JAN 10 54	45	5.00	5.00	45
JAN 12 54	JAN 13 54	46	7.00	7.00	46
JAN 12 54	JAN 14 55	47	1 7.00	1 7.00	47
JAN 12 54	JAN 20 54	48	5.00	5.00	48
JAN 19 54	JAN 14 55	49	1 1.71	1 1.71	49
JAN 19 54	JAN 14 55	50	6.00	6.00	50

AGENT No

1

SERIES

D 26 - 50

AGENT NAME

Derrick Drugs

MAIL DATE

December 1, 1953

AMOUNT OF ITEMS

DATE

PREV BAL

BALANCE

7 2.67	DEC 29 53	0.00	7 2.67
2 8 6.92	DEC 30 53	7 2.67	3 5 9.59
8 1.92	DEC 30 53	7 2.67	1 5 4.59
2 4 6.93	DEC 31 53	1 5 4.59	9 2.34
1 0.00	DEC 31 53	9 2.34	8 2.34
2 0.00	JAN 4 54	8 2.34	6 2.34
5 4.4	JAN 5 54	6 2.34	5 6.90
1 0.08	JAN 6 54	5 6.90	4 6.82
2 4.73	JAN 7 54	4 6.82	2 2.09
1 5.49	JAN 7 54	2 2.09	6.60
5.00	JAN 10 54	6.60	1.60
4 3.58	JAN 12 54	1.60	4 5.18
9.58	JAN 12 54	4 5.18	3 5.60
7.00	JAN 13 54	3 5.60	2 8.60
3 4.71	JAN 14 55	2 8.60	6.11
1 7.71	JAN 19 54	6.11	1 1.60
5.00	JAN 20 54	1 1.60	6.60
6.60	FEB 19 54	6.60	



ORIGINAL ORDER

Plaintiff's Exhibit 18

ORDER

**CHECKS, INCORPORATED**

NORTHWESTERN BANK BUILDING

MINNEAPOLIS 2, MINNESOTA

**BONDIFIED SYSTEMS, INC.**SOLD TO **208 SO. LA SALLE ST.-Room 703**STREET **CHICAGO 4 - - ILLINOIS**

No 2107

Date 1-6-54 Salesman \_\_\_\_\_  
Ship To Chicago Shipped 1-16-54  
Ship Via \_\_\_\_\_ Via P.P.  
Bill To \_\_\_\_\_ Shipping Charge 44 + 04 = 48

Check	Quantity	ITEM	Price	Unit	Extension	Do Not Write Here
		M BONDIFIED POST CARD CHECKS, Sub (Stock) (Imprint)				
	900	BONDIFIED MONEY ORDERS, Sub (Stock) (Imprint)	3.00			
<p>(900 ONLY - SEE John Cabot's LETTER dated 1-5-54 - TO BE BILLED AT 3.00) Filed with the var. copies</p> <p>Please rush</p>						
<p>44 P.P. 04 Ina 48</p>						
<p>UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF ILLINOIS - EASTERN DIVISION - BEFORE JUDGE JOSEPH W. BEEBE 18 JAN 10 1954 EXHIBIT REPORTER NO. _____</p>						
TOTAL						



DO NOT PAY OVER \_\_\_\_\_ SERIES \_\_\_\_\_ NUMBER \_\_\_\_\_ TO NUMBER \_\_\_\_\_ INCLUSIVE

PAYABLE (BANK NAME) \_\_\_\_\_

(BANK) CITY \_\_\_\_\_ STATE \_\_\_\_\_

LICENSE NO. \_\_\_\_\_ TRANSIT NO. \_\_\_\_\_

AGENCY IMPRINT DERRICK DRUGS

AGENCY NO. 1

TERMS: NET CASH

-ABOVE COPY CORRECT AS AUTHORIZED BY: John

DO NOT WRITE HERE

CUSTOMER

**BONDIFIED SYSTEMS**

P.O.

No.

A4731

ORDER ACCEPTED BY

Invoice

No.

5108

DATE OF APPROVAL





TRADE MARK



REGISTERED

A

4731

SHOW COMPLETE  
ORDER NUMBER  
ON PACKAGES  
AND INVOICES

# CHECKS, INCORPORATED

MINNEAPOLIS 2 MINNESOTA

MESSRS. **Bolden Printing Company**  
**Minneapolis, Minnesota**

DATE

January 6, 1954

GENTLEMEN: PLEASE FORWARD FOR OUR ACCOUNT

TO **Bondified Systems, Inc.**  
**208 So. LaSalle St. Room 703**  
**Chicago 4, Illinois**

SHIP VIA **Best Way**WHEN: **Rush, please**

900 Only "Bondified" Money Orders, Series D-101 to D-1,000

Sample attached.

**BONDIFIED SYSTEMS**  
**Chicago, Illinois**

**Derrick Drugs**      **Agency No. 1**

Depository: **CITY NATIONAL BANK**

AGCY. R. ☒ \_\_\_\_\_  
INVENT. ☒ \_\_\_\_\_  
CONTR'T. \_\_\_\_\_  
ACK'D. ☒ \_\_\_\_\_  
LABELS ☒ \_\_\_\_\_  
SHIP'D. *Jan 15, 1954*  
VIA *P.R.*  
BILLED *5108*  
PAID *4761*

TERMS:

CHECKS, INCORPORATED

BY *J. Miller*

Bondified Reg. U.S. Pat. Off.





## CITY NATIONAL BANK AND TRUST COMPANY

208 S. LA SALLE STREET

IN ACCOUNT WITH

\*BONDIFIED SYSTEMS

SPECIAL ACCOUNT

208 S. LA SALLE ST.

CHICAGO 4, ILL.

M-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE	
BALANCE BROUGHT FORWARD 12			OCT 30 '53	5,975.00
NOV 6	127.5-	4,038.75	NOV 6	10,001.00*
NOV 16 '53	5.00-		NOV 16	18,996.00*
NOV 23	5.00-		NOV 17	9,996.00*
NOV 24	35.80-		NOV 23	9,991.00*
NOV 25	99.37-	30.36	NOV 24	9,955.20*
NOV 27	243.91-	143.67	NOV 25	9,886.19*
NOV 30	347.05-	532.89	NOV 27	9,785.95*
			NOV 30	9,971.79*

UNITED STATES DISTRICT COURT NORTHERN DISTRICT  
OF ILLINOIS EASTERN DIVISION - BEFORE JUDGE HOFFMAN

SYMBOL: LST INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
RET INDICATES OFFSET TO ITEM RETURNED.

337

THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS  
AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU AGREE.



# CITY NATIONAL BANK & TRUST COMPANY



\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
M-4I

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE
BALANCE BROUGHT FORWARD 12/1			NOV 30 53 9,971.79
DEC 1	228.33-	574.97	DEC 1 10,417.33*
DEC 2	240.55-	398.90	DEC 2 10,576.28*
DEC 3	516.51-	276.85	DEC 3 10,336.62*
DEC 4	552.51-	536.64	DEC 4 10,320.75*
DEC 7	874.89-	526.88	DEC 7 9,972.74*
DEC 8	511.34-	777.56	DEC 8 10,238.96*
DEC 9	475.18-	1,049.33	DEC 9 10,813.11*
DEC 10	448.47-	271.28	DEC 10 10,635.92*
DEC 11	1,117.21-	830.32	DEC 11 10,349.03*
DEC 14	647.61-	225.52	DEC 14 9,926.94*
DEC 15	444.77-	92.210	DEC 15 10,404.27*
DEC 16	534.91-	354.96	DEC 16 10,224.32*
DEC 17	493.23-	818.36	DEC 17 10,549.95*
DEC 18	261.50-	426.87	DEC 18 10,715.32*
DEC 21	870.52-	934.96	DEC 21 10,779.76*
DEC 22	865.19-	1,094.99	DEC 22 11,009.56*
DEC 24	903.28-	1,027.95	DEC 24 10,106.28*
		301.50	DEC 24 11,435.73*
DEC 28	833.56-		DEC 28 10,602.17*
DEC 28	724.86-	394.14	DEC 28 10,271.45*
DEC 29	471.24-	1,049.40	DEC 29 10,849.61*
DEC 30	541.92-	275.50	DEC 30 10,583.19*
DEC 31	1,197.59-	358.39	DEC 31 9,743.99*

SYMBOL LIST INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
RET INDICATES OFFSET TO ITEM RETURNED.

338

THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS  
AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT



CITY NATIONAL BANK AND TRUST COMPANY



BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
M-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE	
BALANCE BROUGHT FORWARD [13]			DEC 31 '53	9,743.99+
JAN 4	934.37-	1,659.00	JAN 4	10,468.52*
JAN 5	463.71-	2,209.88	JAN 5	12,214.79*
JAN 6	1,313.55-	386.17	JAN 6	11,287.41*
JAN 7	604.24-	708.64	JAN 7	11,391.81*
JAN 8	1,459.28-	792.92	JAN 8	10,725.45*
JAN 11	1,024.39-		JAN 11	9,701.06*
JAN 12	863.07-	2,560.95	JAN 12	11,398.94*
JAN 13	947.36-	1,137.92	JAN 13	11,589.50*
JAN 14	1,885.63-	1,355.98	JAN 14	11,059.85*
JAN 15	924.84-	462.28	JAN 15	10,597.29*
JAN 19	1,111.70-	993.25	JAN 19	10,478.84*
JAN 19	894.50-	2,853.14	JAN 19	12,437.48*
JAN 20	1,769.39-	2,683.27	JAN 20	13,351.36*
JAN 21	1,607.47-	5,511.84	JAN 21	17,255.73*
JAN 22	1,794.21-	2,400.70	JAN 22	17,862.22*
JAN 25	2,268.05-	2,213.64	JAN 25	17,807.81*
JAN 26	1,402.95-	1,829.68	JAN 26	18,234.54*
JAN 27	2,266.37-	2,419.19	JAN 27	18,387.36*
JAN 28	1,992.89-		JAN 28	16,394.47*
JAN 29	2,813.89-	6,565.86	JAN 29	23,054.09*
		2,907.65		

SYMBOL LIST INDICATES GROUP OF ITEMS WITH LIST ATTACHED  
RET INDICATES OFFSET TO ITEM RETURNED

THE LAST AMOUNT IN THIS  
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## CITY NATIONAL BANK AND TRUST COMPANY

208 S. LA SALLE STREET  
IN ACCOUNT WITH\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
M-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE	
BALANCE BROUGHT FORWARD			JAN 29 '54	23,054.00
FEB 1	3,020.58-	6,485.69	FEB 1	26,519.20*
FEB 2	1,804.02-	6,152.13	FEB 2	30,867.31*
FEB 3	4,899.89-	1,727.49	FEB 3	27,694.91*
FEB 4	3,258.00-	15,784.35	FEB 4	40,221.26*
FEB 5	1,769.30-	1,891.62	FEB 5	40,343.58*
FEB 8	4,528.52-	5,244.50	FEB 8	41,059.56*
FEB 9	3,481.97-	2,345.32	FEB 9	39,922.91*
FEB 10	3,691.60-	1,395.15	FEB 10	37,626.46*
FEB 11	2,242.16-	3,404.99	FEB 11	40,327.94*
FEB 15	8,547.56-	1,538.65	FEB 11	40,327.94*
FEB 16	3,551.39-	1,929.36	FEB 15	35,098.36*
FEB 17	4,061.15-	1,388.62	FEB 16	35,522.75*
FEB 18	3,698.26-	3,975.78	FEB 17	33,204.78*
FEB 19	4,203.80-	1,743.18	FEB 18	35,651.16*
FEB 23	6,278.71-	7,344.64	FEB 19	33,474.39*
FEB 24	3,098.88-16	827.03	FEB 23	31,320.08*
FEB 25	5,037.69-	4,124.40	FEB 24	31,823.10*
FEB 26	5,879.71-18	3,601.90	FEB 25	29,600.23*
		2,814.82	FEB 26	29,345.31*
		5,624.79		

SYMBOL LST INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
RET INDICATES OFFSET TO ITEM RETURNED.

340

THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS  
AFTER DELIVERY WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.



## CITY NATIONAL BANK AND TRUST COMPANY

208 S. LA SALLE STREET  
IN ACCOUNT WITH

\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
M-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE	
			FEB 26 '54	29,345.31
		BALANCE BROUGHT-FORWARD [B]		
MAR 1	6,567.38-	4,106.25	MAR 1	26,884.18*
MAR 2	4,094.24-	3,349.58	MAR 2	26,139.52*
MAR 3	2,521.03-	2,187.81	MAR 3	25,806.30*
MAR 4	3,193.44-	3,759.86	MAR 4	26,372.72*
MAR 5	5,817.98-	6,212.17	MAR 5	26,766.91*
MAR 8	5,599.54-	3,457.71	MAR 8	24,624.98*
MAR 9	4,763.49-	3,268.09	MAR 9	23,129.58*
MAR 10	4,834.96-	2,751.38	MAR 10	21,046.00*
MAR 11	4,117.54-	4,447.60	MAR 11	21,376.06*
MAR 12 54	3,752.31-	1,740.95	MAR 12 54	19,364.70*
MAR 15	5,985.16-	6,735.89	MAR 15	20,115.43*
MAR 16	3,045.29-	4,196.82	MAR 16	21,266.96*
MAR 17	4,796.77-	5,325.90	MAR 17	21,796.09*
MAR 18	5,009.11-	2,442.75	MAR 18	19,229.73*
MAR 19	5,192.74-	4,890.47	MAR 19	18,927.46*
MAR 22	5,346.59-	3,401.95	MAR 22	16,982.82*
MAR 23	3,343.41-17	7,114.04	MAR 23	20,753.45*
MAR 24	5,279.47-	2,720.90	MAR 24	18,176.88*
			MAR 24	18,194.88*
MAR 25	4,056.53-	3,556.47	MAR 25	17,694.82*
MAR 26	3,065.72-	2,620.20	MAR 26	17,249.30*
MAR 29	6,687.39-	4,980.37	MAR 29	15,542.28*
MAR 30	4,542.44-27	3,642.32	MAR 30	14,642.16*
MAR 31	4,473.70-	2,664.56	MAR 31	12,833.02*

SYMBOL LIST INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
RET INDICATES OFFSET TO ITEM RETURNED.

THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.



\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
M-41

\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
M-41

CHECKS AND OTHER DEBITS	DEPOSITS	BALANCE
BALANCE BROUGHT FORWARD 12		APR 31'54 12,833.02
APR 1 4,351.97-	3,079.78	APR 1 11,560.83*
APR 2 2,857.39-	3,758.17	APR 2 12,461.61*
APR 5 5,462.99-	4,879.06	APR 5 11,877.68*
APR 6 3,148.48-	4,657.24	APR 6 13,386.44*
APR 7 4,078.81-	4,116.96	APR 7 13,424.59*
APR 8 3,933.69-	2,956.84	APR 8 12,447.74*
APR 9 3,260.35-	3,607.28	APR 9 12,794.67*
APR 12 5,097.49-	2,454.70	APR 12 10,151.88*
APR 13 3,254.54-	5,657.11	APR 13 12,553.65*
		APR 14 12,554.45*
APR 14 3,187.43-	4,846.00	APR 14 14,213.02*
APR 15 4,281.24-	2,758.82	APR 15 12,710.60*
APR 19 6,216.28-	4,802.48	APR 19 11,296.80*
APR 20 4,180.49-	6,614.78	APR 20 13,731.09*
APR 21 3,894.54-	3,003.61	APR 21 12,840.16*
APR 22 3,796.98-	3,088.11	APR 22 12,131.29*
APR 23 3,422.41-	3,487.45	APR 23 12,196.33*
APR 26 4,116.72-	5,601.67	APR 26 13,681.28*
APR 27 3,602.09-	4,502.28	APR 27 14,581.47*
APR 28 4,090.88-	3,605.55	APR 28 14,096.14*
APR 29 4,099.96-	4,838.70	APR 29 14,834.88*
APR 30 3,629.53-	2,609.68	APR 30 13,815.03*

SYMBOL "LST" INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
"RET" INDICATES OFFSET TO ITEM RETURNED.

342

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.

CHECKS AND OTHER DEBITS	DEPOSITS	BALANCE
BALANCE BROUGHT FORWARD 12		APR 30'54 13,815.03
MAY 3 4,509.61-	4,105.93	MAY 3 13,411.35*
MAY 4 2,962.47-	10,003.94	MAY 4 20,452.82*
MAY 5 3,411.38-	1,393.38	MAY 5 18,434.82*
MAY 6 4,624.00-	7,000.88	MAY 6 20,811.70*
MAY 7'54 5,280.40-	4,957.54	MAY 7'54 20,488.84*
MAY 10 6,202.63-	5,545.80	MAY 10 19,832.01*
MAY 11 3,973.72-	10,336.85	MAY 11 26,195.14*
MAY 12 6,119.13-	3,439.75	MAY 12 23,515.76*
MAY 13 5,500.04-	2,407.69	MAY 13 20,423.41*
MAY 14 4,604.02-	4,178.06	MAY 14 19,997.45*
MAY 17 5,901.36-	6,264.27	MAY 17 20,366.36*
MAY 18 5,693.74-	8,956.03	MAY 18 23,622.65*
MAY 19 4,576.44-	1,682.76	MAY 19 20,728.97*
MAY 20 6,057.58-	3,806.06	MAY 20 18,477.45*
MAY 21 4,538.17-	3,673.89	MAY 21 17,613.17*
MAY 24 7,779.22-	7,159.05	MAY 24 16,993.00*
MAY 25 4,639.29-	5,648.60	MAY 25 18,002.31*
MAY 26 5,401.71-	6,512.35	MAY 26 19,112.95*
MAY 27 5,663.79-	2,289.23	MAY 27 15,738.39*
MAY 28 4,915.09-	4,263.52	MAY 28 20,001.91*
		MAY 28 15,086.82*
		+ 45.05
		15,131.87

SYMBOL "LST" INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
"RET" INDICATES OFFSET TO ITEM RETURNED.

THE LAST AMOUNT IN THIS COLUMN IS YOUR BALANCE.

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.

343

6-1-54 - Credited to operating account in error.  
Bank advised - will send advice of credit + debit showing transfer from operating to Special acct.



## CITY NATIONAL BANK AND TRUST COMPANY

208 S. LA SALLE STREET  
IN ACCOUNT WITH\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
LM-41checked ok  
7-10-54  
DAM

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE
BALANCE BROUGHT FORWARD 12			MAY 28 '54 15,086.82
JUN 1	6,117.70-	5,344.56	JUN 1 14,313.68*
JUN 2	3,995.57-	11,040.22	JUN 2 21,403.38*
JUN 3	4,974.49-	45.05	JUN 3 19,068.42*
JUN 4	6,707.01-	2,639.53	JUN 4 21,937.87*
		7,127.36	JUN 4 19,488.77*
JUN 7	9,600.71-	6,134.37	JUN 7 16,022.43*
JUN 8	6,952.05-	7,132.43	JUN 8 16,202.81*
JUN 9	6,411.94-	7,005.57	JUN 9 16,796.44*
JUN 10	6,607.28-	3,242.48	JUN 10 13,431.64*
JUN 11	5,093.38-	5,630.97	JUN 11 13,969.23*
JUN 14	5,688.10-	8,379.92	JUN 14 16,651.05*
JUN 15	4,978.74-	2,997.22	JUN 15 14,679.53*
JUN 16	6,328.47-	6,486.12	JUN 16 14,837.18*
JUN 17	5,052.27-	4,859.33	JUN 17 14,644.24*
JUN 18	5,412.27-	3,282.44	JUN 18 12,514.41*
JUN 21	7,440.17-	10,521.79	JUN 21 15,596.03*
JUN 22	5,047.88-	4,998.65	JUN 22 15,546.80*
JUN 23	6,166.53-	6,309.40	JUN 23 15,689.67*
JUN 24	5,164.18-	5,180.97	JUN 24 15,706.46*
JUN 25	4,884.24-	2,614.80	JUN 25 13,437.02*
JUN 28	6,038.93-	7,392.10	JUN 28 14,790.19*
JUN 29	4,272.83-	7,582.62	JUN 29 18,099.98*
JUN 30	7,117.74-	3,963.60	JUN 30 22,063.58*
			JUN 30 14,945.84*

adj on m  
May statement

June 12

7.00

14,952.82

checked ok  
7-10-54  
DAMSYMBOL "LST" INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
"RET" INDICATES OFFSET TO ITEM RETURNED.THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS  
AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.

## CITY NATIONAL BANK AND TRUST COMPANY

208 S. LA SALLE STREET  
IN ACCOUNT WITH\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.  
LM-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE
BALANCE BROUGHT FORWARD 12			JUN 30 '54 14,945.84*
JUL 1	5,291.18-	2,813.55	JUL 1 12,468.21*
JUL 2	4,861.84-	3,218.87	JUL 2 10,825.24*
JUL 6	7,835.53-		JUL 6 2,989.71*
JUL 7	5,508.76-	14,127.12	JUL 7 2,300.79*
		11,399.92	JUL 7 18,194.77*
JUL 8	9,570.17-	4,756.95	JUL 8 14,363.53*
JUL 9	6,074.55-	1,680.65	JUL 9 14,625.54*
		562.66	JUL 12 16,056.58*
JUL 12	9,095.55-	9,357.56	JUL 12 13,029.78*
JUL 13	6,113.84-	7,544.88	JUL 13 13,692.41*
JUL 14	6,800.34-	3,773.54	JUL 14 12,439.41*
JUL 15	6,411.99-	7,074.62	JUL 15 16,391.61*
JUL 16	5,198.28-	3,945.28	JUL 16 15,380.75*
JUL 19	7,957.02-	1,909.22	JUL 19 14,531.21*
JUL 20	5,641.18-	4,630.32	JUL 20 14,144.66*
JUL 21	7,497.73-	6,648.19	JUL 21 12,354.13*
JUL 22	5,705.62-	5,313.82	JUL 22 15,520.59*
		525	JUL 22 14,840.92*
JUL 23	5,033.41-	3,242.88	JUL 23 14,280.78*
JUL 26 '54	5,901.90-	9,068.36	JUL 26 '54 12,320.51*
JUL 27	5,932.62-	5,252.95	JUL 27 18,946.88*
JUL 28	5,233.14-	4,673.00	JUL 28 13,408.94*
JUL 29	6,084.86-	4,124.59	
JUL 30	5,537.94-	6,626.37	

6.98 adj. should have  
been made in June  
DAM only made 8/10  
See June statement  
only made 8/10  
city note.6.98  
13,415.92SYMBOL "LST" INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
"RET" INDICATES OFFSET TO ITEM RETURNED.THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS  
AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.



## CITY NATIONAL BANK TRUST COMPANY



\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.

LM-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE	
BALANCE BROUGHT FORWARD 127			JUL 30 '54	13,408.94
AUG 2	7,386.10-	11,195.85	AUG 2	17,218.69*
AUG 3	5,837.58-	4,152.21	AUG 3	15,533.32*
AUG 4	6,168.29-	6,576.89	AUG 4	15,941.92*
AUG 5	6,939.91-	5,658.89	AUG 5	14,660.90*
AUG 6	5,276.03-	5,110.35	AUG 6	14,495.22*
AUG 9	8,297.87-J	12,479.93	AUG 9	18,677.28*
	02- 5,770.00-	3,680.91		
		7.00	AUG 10	16,595.17*
AUG 11	8,452.22-	5,951.17	AUG 11	14,094.12*
AUG 12	6,181.52-	6,071.08	AUG 12	13,983.68*
AUG 13	6,256.94-	4,907.23	AUG 13	12,633.97*
AUG 16	8,856.88-	8,606.22	AUG 16	12,383.31*
		4,182.79	AUG 16	16,566.10*
AUG 17	6,640.25-X	6,839.90	AUG 17	16,765.75*
AUG 18	7,580.93-X	5,112.18	AUG 18	14,297.00*
AUG 19	6,604.91-X	4,183.69	AUG 19	11,875.78*
AUG 20	5,524.39-X	2,699.80	AUG 20	9,051.19*
AUG 23	6,175.61-X	11,610.44	AUG 23	14,486.02*
AUG 24	5,545.41-X	6,011.47	AUG 24	14,952.08*
AUG 25	6,054.13-X	2,594.01	AUG 25	11,491.96*
AUG 26	5,350.56-X	4,063.22	AUG 26	10,204.62*
AUG 27	5,153.47-X	3,988.39	AUG 27	9,039.54*
AUG 30	7,754.61-X	12,940.35	AUG 30	14,225.28*
		5,122.03	AUG 31	19,347.31*
AUG 31	6,956.11-		AUG 31	12,391.20*

SYMBOL "LST" INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
"RET" INDICATES OFFSET TO ITEM RETURNED.

346

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.

THE LAST AMOUNT IN THIS COLUMN IS YOUR BALANCE.

OK  
9-3-54  
Don

## CITY NATIONAL BANK TRUST COMPANY



\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.

LM-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE	
BALANCE BROUGHT FORWARD 127			AUG 31 '54	12,391.20
SEP 1	8,568.36-	5,711.18	SEP 1	9,534.02*
SEP 2	6,061.39-	3,645.45	SEP 2	7,118.08*
SEP 3	4,833.66-	6,084.32	SEP 3	8,767.46*
		398.72		
SEP 7	7,669.56-	8,092.14	SEP 7	16,004.59*
		6,020.83		
		793.72	SEP 8	19,313.50*
SEP 8	5,549.50-	8,858.41	SEP 8	19,313.50*
SEP 9	9,186.42-	3,760.40	SEP 9	13,887.48*
SEP 10	9,154.62-	5,498.67	SEP 10	10,231.53*
SEP 13	9,688.01-	16,071.63	SEP 13	16,615.15*
SEP 14	7,300.12-	9,473.22	SEP 14	18,788.25*
SEP 15	8,850.49-	4,400.78	SEP 15	14,338.54*
SEP 16	6,957.99-	3,982.07	SEP 16	11,362.62*
SEP 17	4.00- 6,229.54-	7,941.08	SEP 17	13,070.16*
SEP 20	8,148.57-	8,276.90	SEP 20	13,206.94*
		8.45		
SEP 21	5,379.36-	7,571.16	SEP 21	15,398.74*
SEP 22	7,874.27-	7,522.45	SEP 22	15,046.92*
SEP 23	6,329.94-	4,635.47	SEP 23	13,352.45*
SEP 24	5,480.42-	5,722.52	SEP 24	13,594.55*
SEP 27	8,734.83-	10,131.39	SEP 27	14,991.11*
SEP 28	7,195.44-	10,197.55	SEP 28	17,993.22*
SEP 29	8,220.34-N	8,212.09	SEP 29	17,984.97*
SEP 30	6,355.69-	2,829.83	SEP 30	14,459.11*

missed Sept 16 78.60  
(credit given in error  
to operating acct)

78.60  
14,537.71  
ok 10/2/54  
Don

SYMBOL "LST" INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
"RET" INDICATES OFFSET TO ITEM RETURNED.

347

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.

THE LAST AMOUNT IN THIS COLUMN IS YOUR BALANCE.



## CITY NATIONAL BANK AND TRUST COMPANY


  
208 S. LA SALLE STREET  
IN ACCOUNT WITH

\*BONDIFIED SYSTEMS  
SPECIAL ACCOUNT  
208 S. LA SALLE ST.  
CHICAGO 4, ILL.

L-41

CHECKS AND OTHER DEBITS		DEPOSITS	BALANCE
BALANCE BROUGHT FORWARD			SEP 30 54 14,459.11
OCT 1	6,268.00-	5,322.80	OCT 1 13,513.91*
OCT 4	8,560.99-	8,020.64	OCT 4 12,873.56*
OCT 5	6,101.21-	11,718.83	
		78.60	OCT 5 18,569.78*
OCT 6	7,543.89-	10,158.09	OCT 6 21,183.98*
OCT 7	8,308.70-	3,343.83	OCT 7 16,219.11*
		6,755.24	OCT 8 22,974.35*
OCT 8	6,727.30-		OCT 8 16,247.05*
OCT 11	10,478.97-	10,631.32	OCT 11 16,399.40*
OCT 13	12,134.58-	8,101.70	
		11,689.06	OCT 13 24,055.58*
OCT 14	10,733.22-	5,345.64	OCT 14 18,668.00*
OCT 15	7,677.16-	6,212.69	OCT 15 17,203.53*
OCT 18	9,061.00-	10,372.34	OCT 18 18,514.87*
OCT 19	6,695.73-	5,955.72	OCT 19 17,774.86*
OCT 20	7,228.98-	8,939.57	OCT 20 19,485.45*
OCT 21	7,101.33-	4,971.08	OCT 21 17,355.20*
OCT 22	6,879.66-	3,783.05	OCT 22 14,258.59*
OCT 25	9,133.99-	12,491.28	
OCT 25	17,203.30-		OCT 25 17,432.93*
OCT 26	6,900.20-	10,040.34	OCT 26 20,573.07*
		6,891.58	OCT 27 18,120.28*
OCT 27	9,344.37-	18,295.50	
		5,906.98	OCT 28 14,836.03*
OCT 29	7,021.49-		OCT 29 7,814.54*
		457.18	
		5,733.02	OCT 29 14,004.74*

SYMBOL LIST INDICATES GROUP OF ITEMS WITH LIST ATTACHED.  
RET INDICATES OFFSET TO ITEM RETURNED.

348

THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS  
AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT

JK  
checked 10/9/54  
DRM



✓ Plaintiffs' EXHIBIT 20  
CITY NATIONAL BANK

N ACCOUNT WITH

208 S. LA SALLE ST., RM. 703  
CHICAGO 4, ILL.

圖-41

CHECKS AND OTHER DEBITS	DEPOSITS	BALANCE
	BALANCE BROUGHT FORWARD 137	NOV 30 '53 9,000.00
	1,000.00	DEC 7 10,000.00*

THE LAST AMOUNT IN THIS  
COLUMN IS YOUR BALANCE.

349

PLEASE EXAMINE THIS ACCOUNT AT ONCE. IF NOT ADVISED TO THE CONTRARY WITHIN FIFTEEN DAYS AFTER DELIVERY, WE SHALL UNDERSTAND THAT YOU ACKNOWLEDGE THIS STATEMENT TO BE CORRECT.



Post Office Department

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, \$300

(GPO)

POSTMARK OF DELIVERING  
OFFICE

Return to

*Regina Lewis*

(NAME OF SENDER)

Street and Number,  
or Post Office Box,

*7022 Calhoun Ave*

REGISTERED ARTICLE

No.

INSURED PARCEL

No.

CHICAGO,

ILLINOIS.

349a

Form 3811  
Rev. 1-52

# RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the number of which appears on the face of this Card.

1

(Signature or name of addressee)

2

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery \_\_\_\_\_, 19\_\_\_\_

U. S. GOVERNMENT PRINTING OFFICE 16-12421-2

349b



Plaintiff's Exhibit 23

1022 College Avenue  
Wheaton, Illinois

August 11, 1953

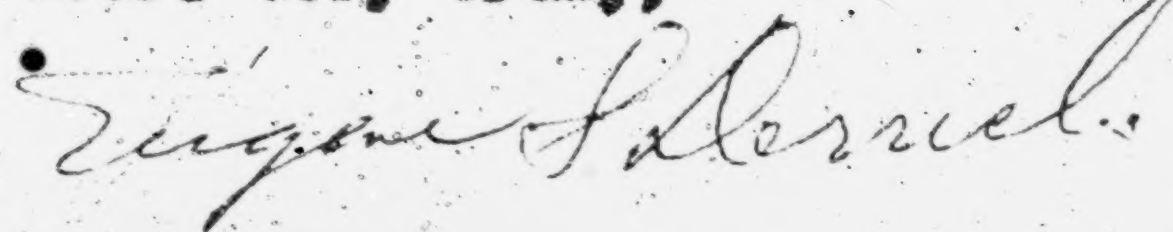
Mr. Orville E. Hodge, State Auditor  
138 W. Randolph Street  
Chicago, Illinois

Dear Sir:

This letter is to advise you that I have received an Agency for the sale of Bondified Post Card Checks and Bondified Money Orders at my drug store, this agency being given me by Bondified Systems, a partnership, who have advised me that they have the right to grant me this Agency under a license from Bondified Systems, Inc.

I have been told that the Community Currency Exchange Act of the Illinois laws does not authorize my sale of these articles, but it is my belief and contention that this law violates my constitutional right to operate a perfectly legal business of selling these articles if I choose to do so, and I am taking this means of advising you of my intention to commence the sale of these articles as soon as I receive my supplies.

Yours very truly,



Eugene Derrick



Certificate Number

3702



**To all to whom these Presents Shall Come, Greeting:**

I, CHARLES F. CARPENTIER, Secretary of State of the State of Illinois,  
do hereby certify that the following and hereto attached is a true  
photostatic copy of the Articles of Incorporation, including  
Certificate of Change of Registered Agent and Registered  
Office, of AMERICAN EXPRESS COMPANY, INC. OF ILLINOIS,

*the original of which is now on file and a matter of record in this office.*

**In Testimony Whereof,** I hereto set my hand and cause to  
be affixed the Great Seal of the State of Illinois.

*Done at the City of Springfield this* 17th  
*day of* August *AD 19* 53.

*Charles F. Carpenter*  
SECRETARY OF STATE



**SEAL OF THE STATE OF ILLINOIS**  
**OFFICE OF**  
**THE SECRETARY OF STATE**



**To all to whom these Presents Shall Come, Greeting:**

**Wherras,** *Articles of Incorporation* duly signed and verified of  
AMERICAN EXPRESS COMPANY, INC., OF ILLINOIS

*have been filed in the Office of the Secretary of State on the 18th*  
*day of September A. D. 19 45, as provided by "THE BUSINESS*  
*CORPORATION ACT" of Illinois, in force July 13, A. D. 1933.*

*Now Therefore, I, EDWARD J. BARRETT, Secretary of State of the State of Illinois,*  
*by virtue of the powers vested in me by law, do hereby issue this certificate of*  
*incorporation and attach thereto a copy of the Articles of Incorporation*  
*of the aforesaid corporation.*

**In Testimony Whereof,** *I thereto set my hand and cause to*  
*be affixed the Great Seal of the State of Illinois.*  
*I give at the City of Springfield this 18th*  
*day of September A. D. 19 45 and*  
*of the Independence of the United States*  
*the one hundred and 70th.*

*Edward J. Barrett*  
SECRETARY OF STATE



FORM B

BEFORE ATTEMPTING TO EXECUTE THESE BLANKS BE SURE TO READ CAREFULLY THE INSTRUCTIONS ON THE BACK THEREOF.

(THESE ARTICLES MUST BE FILED IN DUPLICATE.)

STATE OF ILLINOIS, }  
COOK COUNTY. } ss.

To EDWARD J. BARRETT, Secretary of State:

(Do not write in this space)  
Date Paid 9-18-45  
Initial License Fee \$  
Franchise Tax \$ 8.34  
Filing Fee \$ 20  
Clerk

We, the undersigned,

Name	Number	Street	Address City	State
Joseph T. Walsh	176	N. Michigan	Chicago	Illinois
Harry C. Eldredge	176	N. Michigan	Chicago	Illinois
Henry F. Penney	120	S. LaSalle	Chicago	Illinois

being natural persons of the age of twenty-one years or more and subscribers to the shares of the corporation to be organized pursuant hereto, for the purpose of forming a corporation under "The Business Corporation Act" of the State of Illinois, do hereby adopt the following Articles of Incorporation:

ARTICLE ONE

The name of the corporation is: American Express Company, Inc. of Illinois

ARTICLE TWO

The address of its initial registered office in the State of Illinois is: 176 N. Michigan  
Street, in the City of Chicago (1) County of Cook and  
the name of its initial Registered Agent at said address is: Joseph T. Walsh

ARTICLE THREE

The duration of the corporation is: Perpetual

117833

PAID

SEP 18 1945

Edward J. Barrett  
Secretary of State



## ARTICLE FOUR

The purpose or purposes for which the corporation is organized are:

to forward parcels, packages, merchandise, and goods of all descriptions between cities, towns, and other places in various parts of the world.

## ARTICLE SIX

The class and number of shares to be issued by the corporation before it shall commence business and the consideration (expressed in dollars) to be received by the corporation therefor, are:

Class of shares

Number of shares

Consideration to be received therefor.

Common

50 —

\$1, 00.00

\$

\$

\$

\$

## ARTICLE SEVEN

The number of directors to be elected at the first meeting of the shareholders is: three (3)

## ARTICLE FIVE

PARAGRAPH 1: The aggregate number of shares which the corporation is authorized to issue is 20, divided into one classes. The designation of each class, the number of shares of each class, and the par value, if any, of the shares of each class, or a statement that the shares of any class are without par value, are as follows:

Class	Series (If any)	Number of Shares	Par value per share or statement that shares are without par value
Common	None	20	\$50.00

PARAGRAPH 2: The preferences, qualifications, limitations, restrictions and the special or relative rights in respect of the shares of each class are:

None



ARTICLE EIGHT

PARAGRAPH 1: It is estimated that the value of all property to be owned by the corporation for the following year wherever located will be \$ 1,000.00.

PARAGRAPH 2: It is estimated that the value of the property to be located within the State of Illinois during the following year will be \$ 2,000.00.

PARAGRAPH 3: It is estimated that the gross amount of business which will be transacted by the corporation during the following year will be \$ 3,000.00.

PARAGRAPH 4: It is estimated that the gross amount of business which will be transacted at or from places of business in the State of Illinois during the following year will be \$ 4,000.00.

Joseph J. Walsh  
Harry E. Egan  
Harry J. Egan  
Incorporators.

OATH AND ACKNOWLEDGMENT

STATE OF ILLINOIS, }  
County } ss.  
I, Geo. J. Wamonski, a Notary Public do hereby certify that on the  
17 day of September, 1949, Joseph J. Walsh  
(Names of Incorporators)

personally appeared before me and being first duly sworn by me severally acknowledged that they signed the foregoing document in the respective capacities therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Place  
NOTARIAL SEAL  
Here  
Geo. J. Wamonski  
Notary Public.  
March 9, 1949

OATH AND ACKNOWLEDGMENT

STATE OF ILLINOIS, }  
County } ss.  
I, Henry J. Egan, a Notary Public do hereby certify that on the  
17 day of September, 1949, Henry J. Egan  
(Names of Incorporators)

personally appeared before me and being first duly sworn by me severally acknowledged that they signed the foregoing document in the respective capacities therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Place  
NOTARIAL SEAL  
Here  
Henry J. Egan  
Notary Public.

BOX  
AR

The of iss fee o tax-o paid the s ever. Paid \$11.1 June, Oct. In ex is as April 4593 2916 All in th Corps be re there there penal repor The of sh

Box **2226**No. **228050**

# Articles of Incorporation

of

AMERICAN EXPRESS COMPANY,  
INC. OF ILLINOIS

Chicago

Number of Authorized Shares

20 P. V.

Duration

Perpetual

years

**FILED**

SEP 1 1945

*Edward J. ...*  
Secy



Form 1  
(BCA)

Date 5-29-53  
Filing Fee \$ 1.00  
Clerk E H

**CERTIFICATE OF CHANGE OF REGISTERED AGENT AND REGISTERED OFFICE BY  
A FOREIGN OR DOMESTIC CORPORATION OF ILLINOIS**

STATE OF NEW YORK }  
NEW YORK COUNTY } ss.

~~CHARLES F. CARPENTIER~~  
TO HOWARD J. BARRETT,  
Secretary of State,  
Springfield, Ill.

The undersigned corporation, organized and existing under the laws of the State of Illinois  
for the purpose of changing its registered agent and its registered office, or both, in Illinois as provided by "The  
Business Corporation Act," of Illinois, represents that:

1. The name of the corporation is American Express Company, Inc. of Illinois

639 4

2. The address, including street and number, if any, of its present registered office (before change) is

176 N. Michigan Avenue, Chicago, Illinois

3. Its registered office (including street and number if any change in the registered office is to be made) is  
hereby changed to

13 South Michigan Avenue, Chicago ( 3 ), Illinois.  
Local

4. The name of its present registered agent (before change) is Joseph T. Walsh

5. The name of the new registered agent is

**PAID**

MAY 29 1953

*Charles S. Carpenter*

6. The address of its registered office and the address of the business office of ~~its~~ registered agent, as changed,  
will be identical.

7. Such change was authorized by resolution duly adopted by the board of directors.

(OVER)



IN WITNESS WHEREOF, the undersigned corporation has caused this report to be executed in its name.

by its Vice President, attested by its Secretary, this 27th day of May, A. D. 1953

American Express Company, Inc. of Illinois  
(Exact Corporate Title)  
By Norman F. Page  
President or Vice-President

Place  
(Corporate Seal)  
Here

Attest:  
[Signature]  
Secretary or Assistant Secretary

STATE OF NEW YORK  
COUNTY OF NEW YORK ss.

I, Richard J. Waag, a Notary Public, do hereby certify that on the 27th day of May, A. D. 1953, personally appeared before me Norman F. Page who declares he is Vice President of the corporation, executing the foregoing document, and being first duly sworn, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Place  
(Notarial Seal)  
Here

[Signature]  
Notary Public

(BCA)  
Form 1

Box 2826 File 050

CHANGE OF REGISTERED AGENT  
AND OFFICE OF

American Express  
Company, Inc.  
Illinois  
Filing Fee \$1.00

NOTICE

This certificate must be filed in duplicate.  
The corporation cannot act as its own registered agent.  
The registered office may, but need not be, the same as the place of business of the corporation, but the registered office and the address of the registered agent must be the same.  
Any subsequent change in the registered office or agent must be reported immediately to the Secretary of State on blanks furnished for that purpose.

FILED

MAY 9 1953

[Signature]  
Secretary of State



Plaintiff's Exhibit 29

**Bondified MONEY ORDER**

DO NOT PAY OVER \$100<sup>00</sup>

Payable Through  
WABEEK STATE BANK  
OF DETROIT, MICH.  
Pay through Federal Reserve System

DATE \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_

AE 245204

PLAINTIFF'S EXHIBIT 29

EVERETT F. WENGER, OFFICIAL CO-REPORTER No. \_\_\_\_\_

CURRENCY SERVICES, INC. Detroit, Mich.

From \_\_\_\_\_

Address \_\_\_\_\_

Licensed \_\_\_\_\_ Bonded \_\_\_\_\_

Checks Inc., Mpls., Minn. Reg. U. S. Pat. Off.

Authorized Agency Signature \_\_\_\_\_

9-90  
720

IF DEACHED OR CHANGED, DO NOT PAY

Specimen 53C2322

**Bondified MONEY ORDER**

DO NOT PAY OVER \$100<sup>00</sup>

Payable Through  
WABEEK STATE BANK  
OF DETROIT, MICH.  
Pay through Federal Reserve System

DATE \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_

AE 245202

PLAINTIFF'S EXHIBIT 29

EVERETT F. WENGER, OFFICIAL CO-REPORTER No. \_\_\_\_\_

CURRENCY SERVICES, INC. Detroit, Mich.

From \_\_\_\_\_

Address \_\_\_\_\_

Licensed \_\_\_\_\_ Bonded \_\_\_\_\_

Checks Inc., Mpls., Minn. Reg. U. S. Pat. Off.

Authorized Agency Signature \_\_\_\_\_

9-90  
720

IF DEACHED OR CHANGED, DO NOT PAY

Specimen 53C2322

**Bondified MONEY ORDER**

DO NOT PAY OVER \$100<sup>00</sup>

Payable Through  
WABEEK STATE BANK  
OF DETROIT, MICH.  
Pay through Federal Reserve System

DATE \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_

AE 245201

PLAINTIFF'S EXHIBIT 29

EVERETT F. WENGER, OFFICIAL CO-REPORTER No. \_\_\_\_\_

CURRENCY SERVICES, INC. Detroit, Mich.

From \_\_\_\_\_

Address \_\_\_\_\_

Licensed \_\_\_\_\_ Bonded \_\_\_\_\_

Checks Inc., Mpls., Minn. Reg. U. S. Pat. Off.

Authorized Agency Signature \_\_\_\_\_

9-90  
720

IF DEACHED OR CHANGED, DO NOT PAY

Specimen 53C2322

360

361

362 - 363



**Bondified MONEY ORDER**

DO NOT PAY OVER  
\$10 - 350 - 400

CITY NATIONAL BANK  
and Trust Company  
2-11 710  
of Chicago  
Member Federal Reserve System

DATE March 1934

PAY TO THE ORDER OF Carl Strom

Time and me

R. Paluch

3

AMOUNT \$ 5.00

FEE \$ 10

TOTAL \$ 5.10

BONDIFIED SYSTEMS, INC.  
Chicago, Illinois  
Derrick Drug Agency No. 1

Authorized Signature

Address

1934

VALID ONLY IF FILLED IN WITH INK

IF DECEASED OR CHANGED DO NOT PAY

Keep this stub if no money is returned

ID 1934

DATE 5-6-34

Carl Strom

T. Strom

Address

AMOUNT \$ 5.00

FEE \$ 10

TOTAL \$ 5.10

BONDIFIED SYSTEMS, INC.  
Chicago, Illinois  
Derrick Drug Agency

Pay your bill here



**United States of America.**



I, *MRS. MIKE HOLM*, Secretary of State of the State of Minnesota, do hereby certify that the annexed is a full, true and correct photocopy of Articles of Incorporation of Currency Services of Illinois, Inc., as filed for record in this office on the 18th day of May, 1953, and recorded in Book 0-12 of Incorporations, at page 24; Articles of Amendment of Articles of Incorporation of Currency Services of Illinois, Inc. as filed for record in this office on the 16th day of July, 1953, and recorded in Book 8-12 of Incorporations, at page 65, whereby the name was changed to Bondified Systems, Inc. - - - - -

as the same appears of record in this office, and of the whole thereof.



In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State, at the Capitol in St. Paul, this

14th day of May

A. D. 1954

*Mrs Mike Holm*

Secretary of State



ARTICLES OF INCORPORATION

of

0-12, 24

CURRENCY SERVICES OF ILLINOIS, INC.

We, the undersigned, of full age, for the purpose of forming a corporation under and pursuant to the provisions of Chapter 800 of the Laws of Minnesota, 1933, known as the Minnesota Business Corporation Act, and laws amendatory thereof and supplementary thereto, do hereby associate ourselves as a body corporate and adopt the following Articles of Incorporation:

ARTICLE I

The name of this corporation is CURRENCY SERVICES OF ILLINOIS, INC.

ARTICLE II

Its purposes are:

1. To manufacture, purchase, issue, sell and to distribute money orders, checks, corporate guaranteed checks and other currency service materials of all kinds, and to authorize, appoint and license agents, agencies, partnerships or other corporations in the State of Illinois to receive, sell and distribute said money orders, checks and other currency service materials.
2. To acquire by purchase or otherwise, own, hold, develop, improve, buy, sell, convey, lease, mortgage or encumber real and personal property.

261

112 25

3. To borrow funds for all its purposes, and to mortgage or pledge any or all of its properties to secure the same.

4. To make all contracts and to do all things for itself or as agent for another, and ~~everywhere~~ in the world.

### ARTICLE III

Its duration shall be: Perpetual.

### ARTICLE IV

The location and post office address of its registered office in this State is: 1554 Northwest Bank Building, Minneapolis, Minnesota.

### ARTICLE V

The amount of stated capital with which this corporation will begin business is: Ten Thousand Dollars (\$10,000.00).

### ARTICLE VI

The total authorized number of shares of par value is: Five Hundred (500); and the par value of each share is: One Hundred Dollars (\$100.00).



7. 26

ARTICLE VI (Cont'd)

The total authorized number of shares without par value is: None.

The total capital stock authorized shall be: Fifty Thousand Dollars (\$50,000.00).

ARTICLE VII

The description of the classes of shares, the number of shares in each class and the relative rights, voting power, preferences and restrictions are as follows:

All shares shall be of One Class, designated as Common Shares; each share of stock shall be entitled to one (1) vote on any matter submitted to a vote of the stockholders; shares of stock of the corporation may be authorized by the Board of Directors same to be issued in consideration of cash, property, services rendered, or such other consideration and at such times and in such manner and at such price as said Board of Directors may from time to time determine.

ARTICLE VIII

The name and post office address of each of the incorporators is:

<u>Name</u>	<u>Address</u>
J. WESLEY CARLSON	811 Howard Street, Wheaton, Illinois.
DONALD Q. McDONALD	203 East Union Street, Wheaton, Illinois.
GEORGE W. DOUD	3250 Fifth Avenue, South, Minneapolis 8, Minn.

ARTICLE IX

The names, post office address and terms of office of the first Directors are:

<u>Name</u>	<u>Address</u>	<u>Term</u>
J. WESLEY CARLSON	811 Howard Street, Wheaton, Illinois.	One Year
DONALD Q. McDONALD	203 East Union Street, Wheaton, Illinois.	One Year
GEORGE W. DOUD	3250 Fifth Avenue, South, Minneapolis 8, Minn.	One Year

IN TESTIMONY WHEREOF, we have hereunto set our hands



and seals this Eleventh (11th) day of May, A.D., 1953.

In the presence of:

*William E. Kane*  
*Donald E. Kane*

*J. Wesley Carlson* (SEAL)  
*Donald Q. McDonald* (SEAL)

In the presence of:

*George W. Doud*  
*W. E. Kane*

*George W. Doud* (SEAL)  
George W. Doud

STATE OF MINNESOTA )  
COUNTY OF HENNEPIN ) SS.

On this 11<sup>th</sup> day of May, 1953, personally appeared before me GEORGE W. DOUD, to me known to be one of the persons named in and who executed the foregoing Articles of Incorporation, and acknowledged this to be his own free act and deed for the uses and purposes therein expressed.

Notary Public, Hennepin County, Minn.  
My Commission expires \_\_\_\_\_

STATE OF ILLINOIS )  
COUNTY OF COOK ) SS.

On this 11<sup>th</sup> day of May, 1953, personally appeared before me J. WESLEY CARLSON and DONALD Q. McDONALD, to me known to be two of the persons named in and who executed the foregoing Articles of Incorporation, and each acknowledge this to be of his own free act and deed for the uses and purposes therein expressed.

*James D. [Signature]*  
Notary Public, Cook County, Illinois.  
My Commission expires Aug 25, 1956



ARTICLES OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION  
OF

CURRENCY SERVICES OF ILLINOIS, INC.

\*\*\*\*\*

we, the undersigned, GEORGE W. DOUD, and LEONARD B. SCRAFF, respectively the president and assistant secretary of CURRENCY SERVICES OF ILLINOIS, INC., a corporation organized under or subject to the provisions of Chapter 301, Minnesota Statutes, known as the Minnesota Business Corporation Act, do hereby certify that all the holders of shares, entitled to notice of a meeting to vote on an amendment to the articles of incorporation, signed a writing filed with the corporation, authorizing an amendment of the articles of incorporation of CURRENCY SERVICES OF ILLINOIS, INC., amending articles I and II to read as follows:

ARTICLE I

The name of this corporation is BONDIFIED SYSTEMS, INC.

ARTICLE II

Its purposes are:

1. To manufacture, purchase, issue, sell and to distribute money orders, checks, corporate guaranteed checks and other currency service materials of all kinds, and to authorize, appoint and license agents, agencies, partnerships or other corporations in the State of Illinois to receive, sell and distribute said money orders, checks and other currency service materials.
2. To acquire by purchase or otherwise own, hold, develop, improve, buy, sell, convey, lease, mortgage or encumber real and personal property.
3. To borrow funds for all its purposes, and to mortgage or pledge any or all of its properties to secure the same.
4. To make all contracts and to do all things for itself or as agent for another, and everywhere in the world.



5. The purposes authorized herein shall not, however, be construed to authorize or empower this corporation to conduct or carry on a currency exchange business as defined and set out in "An Act in relation to the definition, licensing and regulation of community currency exchanges and ambulatory currency exchanges, and the operators and employees thereof, and to make an appropriation therefor, and to provide penalties and remedies for the violation thereof." approved June 30, 1943, as amended (Ill. Revised Statutes 1951, Chapter 16 1/2, Sections 30-56.3 inclusive) or similar statutes of states other than Illinois; and no such authority or power is requested herein.

IN WITNESS WHEREOF, we have subscribed our names and caused the corporate seal of said corporation to be hereto affixed this 2nd day of July, 1953.

In presence of:

George W. Doud  
President

Virginia Lettault

Leonard Brown  
Assistant Secretary

Marie Brunken

(CORPORATE SEAL)

STATE OF MINNESOTA }  
COUNTY OF HENNEPIN } SS.

GEORGE W. DOUD, being first duly sworn, on oath deposes and says that he is President of CURRENCY SERVICES OF ILLINOIS, INC., the corporation named in the foregoing certificate; that said certificate contains a true statement of the written consent of the shareholders to the amendment of the articles of incorporation; that the seal attached is the corporate seal of the said corporation; that said certificate is executed on behalf of the corporation; and he further acknowledges the same to be his free act and deed and the free act and deed of said corporation.

Subscribed and sworn to before me this 2nd day of July, 1953.

George W. Doud

Notary Public  
My commission expires

NOTARY PUBLIC - MINNESOTA  
My Commission Expires June 9, 1954



STATE OF ILLINOIS }  
COUNTY OF COOK } ss.

LEONARD BOSGRAF, being first duly sworn, on oath deposes and says that he is assistant secretary of CURRENCY SERVICES OF ILLINOIS, INC., the corporation named in the foregoing certificate; that said certificate contains a true statement of the written consent of the shareholders to the amendment of the articles of incorporation; that the seal attached is the corporate seal of the said corporation; that said certificate is executed on behalf of the corporation; and he further acknowledges the same to be his free act and deed and the free act and deed of said corporation.

Subscribed and sworn to before me this 11th day of May, 1955

Notary Public

(Seal)

My commission expires

Sept 12, 1955

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
I hereby certify that the within instrument was filed for record in the office of the 11th day of May, A.D. 1955, at 3 o'clock P.M. and was duly recorded in Book 312 of Incorporations, on page 65.

Mrs. Mike Hohn  
Secretary of State

APPROVED & FILED  
INDEXED  
AND FILED  
DEAC CHECKED

- 3 -

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ARTICLES OF INCORPORATION

CURRENCY SERVICES OF ILLINOIS,

2-12-55  
CERTIFICATE OF RECORDING  
This instrument was filed for recording on the 11th day of May, 1955, at 11:30 o'clock A.M. and was duly recorded in Book 312 of Incorporations, on page 65.

Mrs. Mike Hohn  
Secretary of State

FISCHER, BOSGRAF AND MACKENZIE  
ATTORNEYS AT LAW  
10 SO. LA SALLE ST. - ROOM 1008  
PHONE STATE 2-8864  
CHICAGO 3

374



Certificate Number 6812

# SEAL OF THE STATE OF ILLINOIS

## OFFICE OF THE SECRETARY OF STATE



**To all to whom these Presents Shall Come, Greeting:**

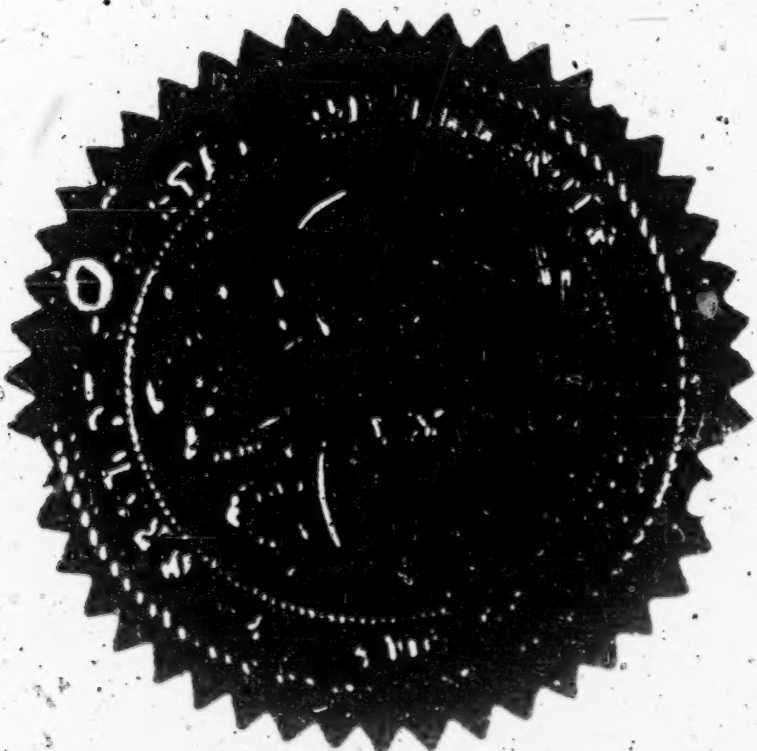
I, CHARLES F. CARPENTIER, Secretary of State of the State of Illinois,  
do hereby certify that the following and hereto attached is a true  
photostatic copy of the Certificate of Authority of  
WESTERN WATERS, INC., filed July 30, 1953,

*the original of which is now on file and a matter of record in this office.*

**In Testimony Whereof,** I hereto set my hand and cause to  
be affixed the Great Seal of the State of Illinois.

Done at the City of Springfield this 7th  
day of May AD 1954.

*Charles F. Carpenter*  
SECRETARY OF STATE







**To all to whom these Presents Shall Come, Greeting:**

**Whereas,**

**BONDIFIED SYSTEMS, INC.**

incorporated under the laws of the State of **Minnesota**  
has filed in the Office of the Secretary of State duly authenticated evidence of  
its incorporation and an application for Certificate of Authority to transact  
business in this State, as provided by "THE BUSINESS CORPORATION ACT"  
of Illinois, in force July 13, A.D. 1933.

Now Therefore, I, CHARLES F. CARPENTIER, Secretary of State of the State of Illinois,  
by virtue of the powers and duties vested in me by law, do hereby issue this  
Certificate of Authority and attach thereto a copy of the application of the  
aforesaid corporation.

**In Testimony Whereof,** I have set my hand and cause to  
be affixed the Great Seal of the State of Illinois.  
Done at the City of Springfield this 30th  
day of July AD 1953 and  
of the Independence of the United States  
the one hundred and 78th.

(SEAL)

SECRETARY OF STATE



Form J

Date Paid 7-30-53  
 Initial Fee \$ 5.00  
 Franchise Tax \$ 10.00  
 Filing Fee \$ 20.00  
 Penalty \$  
 Clerk *[Signature]* 35.00

(To be filed in duplicate)

## APPLICATION FOR LICENSE OF FOREIGN CORPORATION

Chicago, Illinois

July 28,

1953

CHARLES F. CARPENTIER

To ~~ROBERT DOBBS~~ Secretary of State, Springfield, Illinois:BONDIFIED SYSTEMS, INC.

a corporation organized and existing under and by virtue of the laws of the State of Minnesota desiring admission into the State of Illinois, for the purpose of transacting business or exercising its corporate powers or franchises, hereby makes application for a certificate of authority and submits the following statements pursuant to "The Business Corporation Act," of Illinois.

First—The above corporation was duly incorporated under the laws of the State of Minnesota on the eighteenth (18) day of May, A. D. 1953 for a term of perpetual years, and name was changed under amendment to Articles of Incorporation issued July sixteenth (16th), 1953.

Second—The location of the principal office as designated in the charter is Room 1564, Northwest Bank Building, Minneapolis, Minnesota. The locations of its principal places of business are: Room 1564, Northwest Bank Building, Minneapolis, Minnesota, and Room 1008, 10 S. LaSalle Street, Chicago, Ill.

Third—The address of the proposed registered office in the State of Illinois will be located at Room 1008, 10 S. LaSalle street in the city of Chicago (3) Illinois, and the name of its proposed registered agent in this State at such address is: Harold B. Mackenzie (Zone)

Fourth—The corporation is transacting business and qualified under the foreign corporation laws of the following states and countries other than Illinois:

Minnesota**PAID**

JUL 30 1953

*[Signature]*  
Secretary of State

Fifth—The names of its officers and directors and their addresses are as follows:

NAME	City and State	Street and No.
President <u>George W. Doud</u>	<u>Minneapolis, Minn.</u>	<u>3250 5th Ave. South.</u>
Secretary <u>Harold B. Mackenzie</u>	<u>Glen Ellyn, Ill.</u>	<u>559 Riford Road</u>
Director <u>George W. Doud</u>	<u>Minneapolis, Minn.</u>	<u>3250 5th Ave. South</u>
Director <u>Donald Q. McDonald</u>	<u>Wheaton, Ill.</u>	<u>203 E. Union Street</u>
Director <u>J. Wesley Carlson</u>	<u>Wheaton, Ill.</u>	<u>811 Howard Street</u>
Director		
Director		
Director		



**Sixth—The purpose or purposes for which it was organized which it proposes to pursue in the transaction of business in this State are:**

1. To manufacture, purchase, issue, distribute and provide blank forms and services pertaining to money orders, checks, corporate guaranteed checks and other currency service materials of all kinds, and systems pertaining to same, and to authorize, appoint and license agents, agencies, partnerships, or other corporations in the State of Illinois to receive, issue, and distribute said money order blanks, checks, and other currency service materials.

2. To acquire by purchase or otherwise, own, hold, develop, improve, buy, sell, convey, lease, mortgage or encumber real and personal property.

3. To borrow funds for all its purposes, and to mortgage or pledge any or all of its properties to secure the same.

4. To make all contracts and to do all things for itself or as agent for another, in the State of Illinois.

5. The purposes authorized herein shall not, however, be construed to authorize or empower this corporation to conduct or carry on a currency exchange business as defined and set out in "An Act in relation to the definition, licensing and regulation of community currency exchanges and ambulatory currency exchanges, and the operators and employees thereof, and to make an appropriation therefor, and to provide penalties and remedies for the violation thereof.", approved June 30, 1943, as amended (Ill. Revised Statutes 1951, Chapter 16 $\frac{1}{2}$ , Sections 30-56.3 inclusive) or similar statutes of states other than Illinois; and no such authority or power is requested herein.

Seventh—The number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Class	Series (if any)	Number of Shares	Par value per share or statement that shares are without par value.
Common	None	500.	Par value \$100.00 per sh.

Eighth—The number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Class	Series (if any)	Number of Shares	Par value per share or statement that shares are without par value.
Common	None	100	Par value \$100.00 per sh.

Ninth—The amount of stated capital and the amount of paid in surplus of the corporation as defined by "The Business Corporation Act" of Illinois, is:

(Note: If no Paid in Surplus, insert "None")

Stated Capital	\$ 10,000.00
Paid in Surplus	\$ None
Total	\$ 10,000.00

\*Tenth—Give an estimate of the total value of all the property of the corporation for the following year

\$ 5,000.00

Eleventh—Give an estimate of the total value of all the property of the corporation for the following year that will be located in Illinois

\$ 5,000.00

Twelfth—State the estimated total business of the corporation to be transacted by it everywhere for the following year

\$ 25,000.00

Thirteenth—State the estimated annual business of the corporation to be transacted by it at or from places of business in the State of Illinois

\$ 25,000.00

#### Fourteenth— INTERROGATORIES:

(a) Is the corporation actually transacting business at the present time in the State where it was organized?

Not at the present.

(b) From what office will the affairs of the corporation be managed?

Principal office in Illinois.

(c) To what office or offices will all contracts with the corporation be forwarded for final acceptance?

Principal office in Illinois.

(d) At what office or offices will the directors and stockholders meeting be held?

Principal office in Illinois.

(e) The number of shares of all classes owned by residents of Illinois is:

67 shares.

(f) The number of shares of all classes owned by non-residents of Illinois is:

33 shares.

(g) Is the corporation transacting business in this State at this time?

No.

(h) If your answer is in the affirmative, state the exact date on which it commenced to transact business in Illinois.

Does not apply.

\*PROPERTY as used in this application shall apply to all property of the corporation, real, personal, tangible, intangible, or mixed without qualification.



Form J

Box 762 File 25550

APPLICATION FOR LICENSE  
OF  
FOREIGN CORPORATION

NOTE: This form may be used in applying for either  
an original or an amended certificate of authority.

FILED

JUL 30 1953

Charles S. (Signature)

Secretary of

(File in Duplicate)

Filing Fee \$20.00, plus license fee  
and franchise tax.



IN WITNESS WHEREOF, the undersigned corporation has caused this report to be executed in its name by its Vice President attested by its \_\_\_\_\_ Secretary, this 25<sup>th</sup> day of July, A. D. 1953.

BONDIFIED SYSTEMS, INC.

(Exact Corporate Title)

Place  
(Corporate Seal)  
Here

By

J. W. Carlson

President or Vice President

Attest

[Signature]  
Secretary or Assistant Secretary

STATE OF ILLINOIS

COUNTY OF COOK

I, KELLAM FOSTER, a Notary Public, do hereby certify that on the 25<sup>th</sup> day of July, A. D. 1953, personally appeared before me J. W. CARLSON, who declares he is Vice President of the corporation, executing the foregoing document, and being first duly sworn, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Place  
(Notarial Seal)  
Here

Kellam Foster  
Notary Public

VALID ONLY IF FILLED IN WITH INK

DO NOT PAY OVER  
 '19-'50-'500

2-11  
 710

**CITY NATIONAL BANK**  
 and Trust Company  
 of Chicago  
 Member Federal Reserve System

*Handwritten:* DEF 4 1

DATE Oct 19 1953

PAY TO THE ORDER OF J. H. Carlson

DOLLARS			00
2	5		
			CENTS

Twenty Five DOLLARS

J. H. Carlson

BONDED SYSTEMS

25

Herrick Drugs

Agency No. 1

*Handwritten Signature*

Address

Location

Bonded

Authorized Signature

Chicago, Ill., Minn.

Reg. U.S. Pat. & Tm. Off.

IF DEPOSITED OR CASHED, DO NOT PAY



VALID ONLY IF ISSUED IN VARIOUS CITIES

**BONDIFIED MONEY ORDER**

DO NOT PAY OVER  
**10-30-100**

**CITY NATIONAL BANK**  
and Trust Company  
of Chicago  
Member Federal Reserve System

3-3-54

2-11  
710

2-11  
710

101

DATE 2-19 54

PAY TO THE ORDER OF Time

DOLLARS		3	00
CENTS			

Three and no DOLLARS

J. Holmanick

Wheaton Lee

**BONDIFIED SYSTEMS, INC.** 25  
Chicago, Illinois

Derrick DeLoe Agency No. 1

J. Derrick

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

Reg. U. S. Pat. Off.

IF DEPOSITED OR CASHED, DO NOT PAY



United States of America.



I, MRS. MIKE HOLM, Secretary of State of the State of Minnesota, do hereby certify that the annexed is a full, true and correct photocopy of Articles of Incorporation of Checks, Incorporated, as filed for record in this office on the 12th day of June, 1940, and recorded in Book M-6 of Incorporations, at page 504; Amendments thereto as filed for record in this office on: the 13th day of February, 1942, Book X-6 of Incorporations, page 385; the 27th day of December, 1944, Book M-7 of Incorporations, page 416; the 9th day of February, 1949, Book U-9 of Incorporations, page 250- - - - -

as the same appears of record in this office, and of the whole thereof.



In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State, at the Capitol in St. Paul, this

19th day of MAY

A. D. 19 54

Mrs Mike Holm  
Secretary of State



ARTICLES OF INCORPORATION.

CHEQUES, INCORPORATED

We, the undersigned, for the purpose of forming a corporation under and pursuant to Chapter 30, Session Laws of Minnesota for 1935, and acts amendatory thereof, hereby adopt the following Articles of Incorporation:

ARTICLE I.

The name of this Corporation shall be

CHEQUES, INCORPORATED.

ARTICLE II.

The purpose of this corporation shall be to receive and accept monies for the payment of accounts or bills for others and from others by means of checks, post card money order or any other means devised by the corporation for the purpose of paying accounts or bills for others; to receive such funds and pay such accounts or bills, either itself, or authorize or employ agents, agencies, partnerships or corporations, in the state of Minnesota or in the several states, to receive and pay the same through its checks or post card money order system or any modification thereof.

To sell or distribute checks, corporation guaranteed checks, treasury checks, sight drafts, demand drafts, time drafts, money orders, post card money orders and bank notes for various purposes, such as the exigencies of the corporation require.

To purchase, hold, own and release the shares of its own stock.

ARTICLE III.

The principal place of business of this corporation shall be at

ONE THIRTY EIGHTY EIGHT  
MINNEAPOLIS, MINNESOTA  
MINNESOTA.

The corporation may from time to time designate any other or additional places to carry on its business as its Board of Directors may determine.

**ARTICLE II.**

The period of duration of this corporation shall be perpetual.

**ARTICLE III.**

The names and residence addresses of the Incorporators of this Corporation are

G. H. Fowler  
4541 Beard Avenue South  
Minneapolis, Minnesota;

Clifton H. Laffeur  
2301 Park Avenue  
Minneapolis, Minnesota;

H. E. Maag  
2705 Irving Avenue South  
Minneapolis, Minnesota;

**ARTICLE IV.**

The government of this corporation, and the management of its affairs, shall be vested in a Board of Directors, consisting of not less than three, nor more than five members, each of whom shall be elected by the stockholders from among their own number, at the annual meeting of the corporation.



Articles of Incorporation,

Inc., Incorporated

ARTICLE VII.

The annual meeting of this corporation shall be held at 2:00 o'clock in the afternoon, on the first Tuesday after the first Monday in March of each year, commencing in the year 1941.

The first or organization meeting of this corporation shall be held at 2:00 o'clock on Monday, June 17, 1940, at 1030 Band Tower, Minneapolis, Minnesota.

The officers of this corporation shall be a president, a vice-president, a secretary, and a treasurer.

ARTICLE VIII.

Vacancies occurring on the Board of Directors shall be filled by appointment by the Board from among the stockholders of the corporation. Vacancies occurring among the officers of the corporation shall be filled from among the Board from its members, or from its stockholders, as they may see fit. Each officers or directors so appointed shall hold office until their successors have been duly elected and have qualified. Until the first annual meeting in March, 1941, the Board of Directors of this corporation shall be

J. H. Foster

Clifton E. Laffear

H. H. Wang

Until the first annual meeting of the Board of Directors in March, 1941, the officers of this corporation shall be

J. H. Foster

Clifton E. Laffear

H. H. Wang

A. E. Smith

ARTICLE X.

The capital stock of this corporation shall be \$5,000, to be divided into 50 shares of stock, of the par value of \$100 per share.

Each share of stock shall be entitled to one vote at all stockholders' meetings.

The amount of stock which shall be sold shall be subject to the control of the majority of the outstanding stock, and after the original stock issue at the incorporators' meeting, no treasury stock shall be issued except at a stockholders' meeting has been called for the purpose, and authorization is obtained from the majority of the stock outstanding.

The capital stock of this corporation shall be issued and sold for money, or property, services, or for other real and valuable considerations, at such times and in such manner as the stockholders may authorize.

ARTICLE XI.

The Board of Directors at the incorporators' meeting, on June 17, 1940, shall adopt a corporate seal and name and adopt by-laws for the corporation, providing therefor the detailed management of its affairs and property, and providing for the amendment thereof, all in conformity with these articles, and not contrary to law.

ARTICLE XII.

The amount of paid-in stated capital with which the corporation shall begin business, shall be \$1,000.



Articles of Incorporation,

Check, Incorporated

IN TESTIMONY WHEREOF, we have hereunto set our hands and seals  
this 10 day of June, 1940.

I, the President,

Edmund Thomas  
Betty Kelly  
Dorothy R. Kline

Robert H. F. F. F.  
Robert H. F. F. F.  
Henry

STATE OF MINNESOTA  
COUNTY OF ANNEPICK

On this 10th day of June, A. D., 1940, personally appeared  
before me A. E. FOLGER, CLIFTON A. HAPNER and A. E. LEE, to me  
known to be the persons named in the foregoing Certificate of Incorporation, and each of them acknowledged the execution  
of the same as his free act and deed, for the uses and purposes  
therein expressed.

Edmund Thomas  
Edmund Thomas, Notary Public,  
Annepick County, Minnesota;  
Commission Expires: 1941

**STATE OF MINNESOTA**  
**DEPARTMENT OF STATE**  
I hereby certify that the within  
instrument was filed for record in the  
office on the 11 day of June  
A.D. 1940, and that the same  
has been duly recorded in Book 111  
of Incorporations, on page 514.

**APPROVED & FILED**  
RECORDED  
INDEXED  
FILED  
DEPT. OF STATE



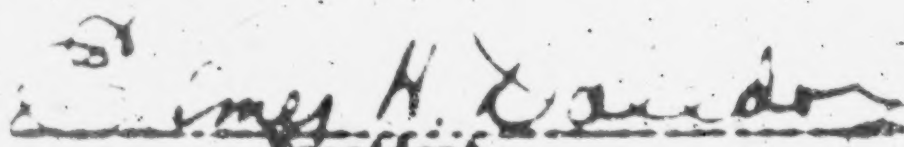
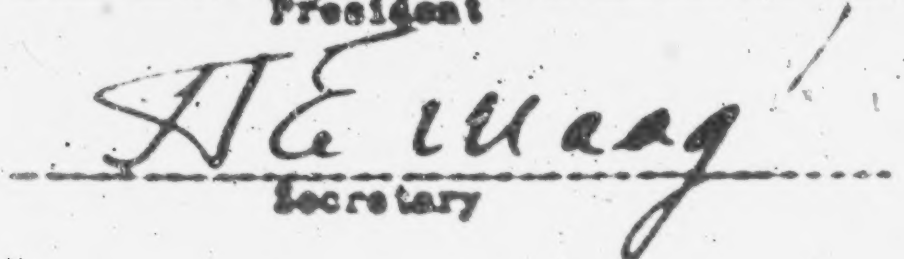
**CERTIFICATE OF AMENDMENT**  
**OF ARTICLES OF INCORPORATION OF**  
**CHESNA, INCORPORATED**

We, the undersigned, Elmer H. Dalldorf, President, and  
H. E. Maag, Secretary, of Chesna, Incorporated, a corporation duly  
organized and existing under and by virtue of the laws of the State  
of Minnesota, do hereby certify that at a special meeting of the  
stockholders of this corporation, held pursuant to a call for that  
purpose, on the 13th day of February, 1942, at 10:00 o'clock in the  
morning thereof, at the office of the corporation in Minneapolis,  
Minnesota, the following resolution was adopted:

"BE IT RESOLVED That Article IX of the  
Articles of Incorporation be amended by striking  
therefrom the first paragraph and substituting  
therefor the following paragraph:

'The capital stock of this corpor-  
ation shall be Fifteen Thousand  
(\$15,000) Dollars, to be divided into  
one hundred and fifty (150) shares of  
stock with a par value of One Hundred  
(\$100) Dollars per share.'

That the proper officers be hereby authorized  
and directed to take the necessary steps to comply  
with the law to put into effect such amendment  
to the Articles of Incorporation."

  
President  
  
Secretary

STATE OF MINNESOTA)  
                                  )  
COUNTY OF HENNEPIN)

On this 13th day of February, 1942, before me, a Notary  
Public within and for said County, personally appeared Elmer H.  
Dalldorf and H. E. Maag, to me personally known, who, being each

7  
 by me duly sworn, did say that they are respectively the President  
 and the Secretary of the corporation named in the foregoing instru-  
 ment, and that the seal affixed to said instrument is the corporate  
 seal of said corporation, and that said instrument was signed and  
 sealed in behalf of said corporation by authority of its Board of  
 Directors and said Elmer E. Dallmer and E. E. Mang acknowledged said  
 instrument to be the free act and deed of said corporation.

Notary Public, Hennepin County, Minnesota  
 My Commission Expires May 1, 1922

Notary Public, Hennepin County, Minn.  
 - J. O. A. L. P. -

**STATE OF MINNESOTA**  
**DEPARTMENT OF STATE**

I hereby certify that the within  
 instrument was filed for recording  
 in the office of the State of Minnesota  
 on the 13<sup>th</sup> day of May  
 A.D. 1922 at St. Paul  
 and was duly recorded and  
 incorporated in the records.

*[Signature]*  
 Secretary of State



**CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION OF  
CHECKS, INCORPORATED**

We, the undersigned, **Elmer H. Dalldorf** and  
**G. E. Mayar** respectively the **secretary** and  
**Checka, Incorporated**

a corporation subject to the provisions of Chapter 300, Laws 1933, known as the Minnesota Business Corporation Act, do hereby certify that at a ~~(regular)~~ (special) meeting of the shareholders ~~(Strike out one)~~ of said corporation, notice of such meeting, proposal to amend and nature of such proposal having been mailed to each shareholder entitled to vote thereon at least ten days prior to such meeting, held at **525 2nd Ave. S.** in the city of **Minneapolis** County of **Hennepin** as designated in such notice, on the **5th** day of **December** **1944** resolutions as hereinafter set forth were adopted by a **majority** vote of said shareholders represented in person or by proxy:

Resolved that Article **II**  
of the articles of incorporation of **Checka, Incorporated**  
be, and the same hereby (is) ~~(was)~~ amended to read as follows:

**Article II**

The purpose of this corporation shall be to receive and accept monies for the payment of accounts or bills for others and from others by means of checks, post card money order or any other means devised by the corporation for the purpose of paying accounts or bills for others; to receive such funds and pay such accounts or bills, either itself, or authorize or empower agents, agencies, partnerships or corporations, in the state of Minnesota or in the several states; to receive and pay the same thru its checks or post card money order system or any modification thereof.

To sell or distribute checks, corporation guaranteed checks, travelers checks, sight drafts, demand drafts, time drafts, money orders, post card money orders and blank notes for various purposes, such as the exigencies of the corporation require.

To purchase, hold, own and re-issue the shares of its own stock, and to purchase, hold and own the stock of other corporations.

Witness further that the **president** and **secretary** of this corporation be and they hereby are, authorized and directed to make, execute and acknowledge a certificate under



the corporate seal of this corporation, containing the foregoing resolutions, and to cause such certificates to be filed for record in the manner required by law.

IN WITNESS WHEREOF, we have subscribed our names and caused the corporate seal of said corporation to be hereto affixed this 24th day of December 1944

In presence of:

*Wm. H. Hennigan*  
*Wm. H. Hennigan*

*Elmer H. Dallborg*  
President  
*G. D. Meyer*  
Secretary

AFFIX  
CORPORATE  
SEAL

STATE OF MINNESOTA

County of Hennepin

Elmer H. Dallborg

and

G. D. Meyer

being first duly sworn, on oath depose and say: that they are respectively the president and secretary of Checks, Incorporated

the corporation named in the foregoing certificate; that said certificate contains a true statement of the action of the shareholders and board of directors of said corporation, duly held as aforesaid; that the seal attached is the corporate seal of said corporation; that said certificate is executed on behalf of said corporation, by its express authority; and they further acknowledge the same to be their free act and deed and the free act and deed of said corporation.

*Elmer H. Dallborg*  
*G. D. Meyer*

Subscribed and sworn to before me this 26 day of December 1944

NOTARIAL  
SEAL

*H. E. MAAG*  
Notary Public - Hennepin Co., Minn.  
My commission expires Jan 15, 1945

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
I hereby certify that the within instrument was filed for record in this office on the 22 day of Dec. A. D. 1944 at 2 o'clock P. M. and was duly recorded in Book 1-7 of Incorporations, on page 416  
*Minneapolis*  
Secretary of State



CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION OF  
CHECKS, INC.

We, the undersigned, E. H. Dalldorf and H. E. Maag, respectively the president and secretary of Checks, Inc., a corporation subject to the provisions of Chapter 300, Laws 1933, known as the Minnesota Business Corporation Act, do hereby certify that at a regular meeting of the shareholders of said corporation, notice of such meeting, proposal to amend and nature of such proposal having been mailed to each shareholder entitled to vote thereon at least ten days prior to such meeting, held at the office of the corporation, in the City of Minneapolis, County of Hennepin, as designated in such notice, on the 23d day of March, 1948, resolutions as hereinafter set forth were adopted by a unanimous vote of said shareholders represented in person or by proxy:

Resolved that Article IX of the Articles of Incorporation of Checks, Inc. be, and the same hereby is amended to read as follows:

ARTICLE IX

By striking from the Article as amended by proper resolution on the 13th day of February, 1942, and substitute therefor the following paragraph:

The capital stock of this corporation shall be \$50,000, to be divided into five hundred shares of the par value of \$100 per share.

Resolved, further, that the president and secretary of this corporation be and they hereby are authorized and directed to make,

set forth were adopted by a unanimous vote of said shareholders represented in person or by proxy:

Resolved that Article IX of the Articles of Incorporation of Checks, Inc. be, and the same hereby is amended to read as follows:

ARTICLE IX

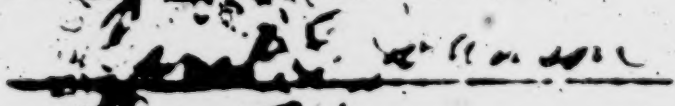

By striking from the Article as amended by proper resolution on the 13th day of February, 1942, and substitute therefor the following paragraph:


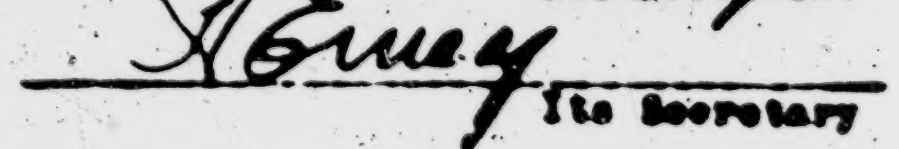
The capital stock of this corporation shall be \$50,000, to be divided into five hundred shares of the par value of \$100 per share.

Resolved, further, that the president and secretary of this corporation be and they hereby are authorized and directed to make, execute and acknowledge a certificate, under the corporate seal of this corporation, embracing the foregoing resolution, and to cause such certificate to be filed for record in the manner required by law.

IN WITNESS WHEREOF, we have subscribed our names and caused the corporate seal of said corporation to be hereto affixed this 4th day of February, 1949.

In the presence of:

  
  
(CORPORATE SEAL)

  
Its President  
  
Its Secretary

4-9, 271

STATE OF MINNESOTA)  
COUNTY OF HENNEPIN.) ss

E. H. Dalldorf and H. E. Maag, being first duly sworn, on oath depose and say: that they are respectively the president and secretary of Checks, Inc., the corporation named in the foregoing certificate; that said certificate contains a true statement of the action of the shareholders and Board of Directors of said corporation, duly held as aforesaid; that the seal attached is the corporate seal of said corporation; that said certificate is executed on behalf of said corporation, by its express authority; and they further acknowledge the same to be their free act and deed and the free act and deed of said corporation.

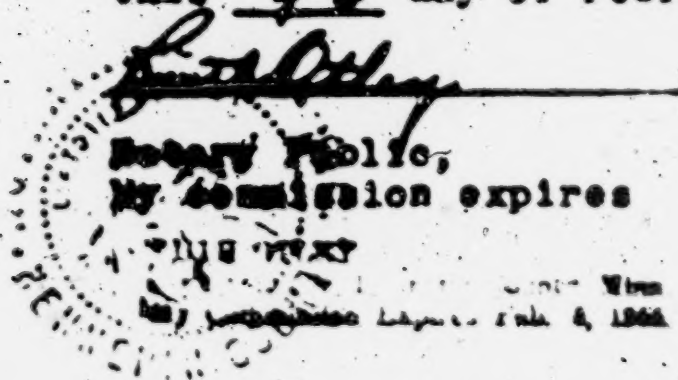
E. H. Dalldorf  
H. E. Maag

Subscribed and sworn to before me  
this 4th day of February, 1949.

[Signature]

Notary Public,  
My commission expires

County, Minn.





**LICENSED**

**CURRENCY  
EXCHANGES**

# **REPORT**

For The Period . . . January 1, 1950

*Through*

September 30, 1952

*issued by*

**ORVILLE E. HODGE**

**AUDITOR OF PUBLIC ACCOUNTS**

**STATE OF ILLINOIS**

# Foreword . . .



The following report summarizes the activities of licensed Currency Exchanges in the State of Illinois for the period January 1, 1950 through September 30, 1952, and should provide information useful to licensed operators and to persons, firms and institutions interested in or associated with the activities of Currency Exchanges under State supervision.

The Sixty-third General Assembly enacted legislation placing Community Currency Exchanges under the jurisdiction of the Auditor of Public Accounts with responsibilities similar to State banks, trust companies, building and loan associations, credit unions and foreign exchanges.

The Community Currency Exchange Act requires all operators of Currency Exchanges to obtain a license, to protect themselves with insurance against loss by burglary, larceny, robbery, forgery and embezzlement, and to file annually with the State Auditor a performance bond. It provides for examination by the State Auditor and grants him authority to approve or deny an application for a license, to revoke a license, of any Community Currency Exchange that fails to meet the requirements under said Act and directs the Auditor to appoint a receiver to operate and liquidate the business if he finds that any licensee is insolvent or is violating this Act, and sets forth court procedure for the purpose of liquidating such a Currency Exchange.

Since the passage of the original Community Currency Exchange Act by the Sixty-third General Assembly in 1943, successive amendatory provisions have been enacted to provide financial security for this type of business and adequate protection for the public which purchases Money Orders aggregating \$450,000,000 annually from 607 Currency Exchanges licensed in the State of Illinois as of September 30, 1952.

A statistical abstract covering nine years of currency exchange operation under State supervision and a synopsis of the amendatory provisions to the original Currency Exchange Act passed by the Sixty-fourth, Sixty-fifth, Sixty-sixth and Sixty-seventh General Assemblies during the nine year period will be found in the Appendix of this report.

*Charles E. Hodge*

Auditor of Public Accounts  
State of Illinois

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# REPORT OF CURRENCY EXCHANGES LICENSED IN THE STATE OF ILLINOIS

January 1, 1950 Through September 30, 1952

In reviewing the activities and financial condition of licensed Currency Exchanges in Illinois, for the period of January 1, 1950 through September 30, 1952, it should be noted that the following Report includes the second analysis on a fiscal year basis pursuant to amendments enacted by the Sixty-seventh General Assembly during 1951. The data contained herein has been compiled from Annual Reports for the calendar year ended December 31, 1950 and the fiscal years October 1, 1950 through September 30, 1951 and 1952 and every effort has been made to preserve its comparability and statistical value with data released in previous publications and abstracted in the Appendix of this Report.

**APPLICATIONS:** As of September 30, 1952, 1280 applications were filed with the Auditor of Public Accounts. Of these applications, 1033 or 80.7% were approved, 227 were withdrawn, 14 denied and 6 pending. In addition thereto, 176 applications were filed by former licensees for newly organized corporations since July 21, 1945.

**LICENSES:** Of the 1033 Currency Exchange Licenses issued as of September 30, 1952, 13 were revoked for failure to comply with the provisions under the Currency Exchange Act, 406 were surrendered due to change of ownership or termination while of the remaining 614 Currency Exchanges, 7 were in liquidation and 607 in operation as of September 30, 1952.

**TYPE OF OWNERSHIP:** A tabulation of the 607 licensees as of September 30, 1952 by type of ownership, shows 206 or 33.9% Individuals, 94 or 15.5% Partnerships, 303 or 50% Corporations and 4 Executors and Trustees, as compared with 40.9%, 19.5% and 39.6% respectively three years ago.

TABLE 1

(A) CUMULATIVE NUMBER AND DISPOSITION OF CURRENCY EXCHANGE LICENSE APPLICATIONS FILED, (B) NUMBER OF CURRENCY EXCHANGE LICENSES IN FORCE, SURRENDERED, AND REVOKED, AND (C) NUMBER OF LICENSED CURRENCY EXCHANGES IN ILLINOIS, BY TYPE OF OWNERSHIP, AS OF DECEMBER 31, 1950, SEPTEMBER 30, 1951 AND 1952

Classification	December 31, 1950		September 30, 1951		September 30, 1952	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
<b>A. APPLICATIONS</b>	1,163	100.0	1,201	100.0	1,280	100.0
Pending	22	1.9	6	0.5	6	0.5
Withdrawn	169	14.5	193	16.1	227	17.7
Rejected	12	1.0	12	1.0	14	1.1
Approved	960	82.6	990	82.4	1,033	80.7
<b>B. LICENSES</b>	960	100.0	990	100.0	1,033	100.0
In Force	577	60.1	597	60.3	607	58.8
In Liquidation	6	0.6	8	0.8	7	0.7
Surrendered	364	37.9	372	37.6	406	39.3
Revoked	13	1.4	13	1.3	13	1.2
<b>C. TYPE OF OWNERSHIP</b>	577	100.0	597	100.0	607	100.0
Individual	218	37.8	213	35.7	206	33.9
Partnership	102	17.7	102	17.1	94	15.5
Corporation	231	40.0	276	46.2	303	50.0
Trustee	6	1.0	6	1.0	4	0.6

Applications filed in accordance with Section 4 of "An Act in relation to the definition, licensing and regulation of Community Currency Exchanges" (Approved June 30, 1943 as amended).

## ASSETS AND LIABILITIES

**ASSETS:** A tabulation of the assets of 607 Currency Exchanges licensed as of September 30, 1952, discloses a total of \$15,780,631, consisting of \$12,647,618 or 80.1% of cash and liquid funds and \$3,133,013 or 19.9% of other assets.

The average amount of working capital (cash and liquid funds in excess of the money order liability) as of September 30, 1952 amounted to \$7,093 as compared with \$6,591 for the year 1950 representing an increase of \$502 or 7.6% since December 31, 1950, which is due to an increase in the minimum capital requirements effective July 1, 1951. A distribution of licensed Currency Exchanges in Illinois by amount of available cash funds and money order liability, and average working capital as of December 31, 1950 and September 30, 1951 and 1952 respectively, are shown in Tables 5, 6 and 7, on pages 5 and 6 of this Report.

**LIABILITIES:** Money orders outstanding amounted to \$8,341,844 or 52.9%, other liabilities (including Notes Payable, Accounts Payable, Reserve Accounts, Withholding Tax, Social Security, and other accrued items) amounted to \$1,221,682 or 7.8%, while the remaining 39.3% represented "Capital and Surplus" of the combined 607 Currency Exchanges as of September 30, 1952 in the amount of \$6,217,105.

This represents an average capital investment of approximately \$10,250 as compared with \$9,450 as of September 30, 1951 and \$8,500 as of December 31, 1950 or an increase of \$800 or 8.5% since September 30, 1951, which may be attributed to evaluation of fixtures, equipment and good will set up in the assets of Currency Exchanges that changed ownership during the fiscal year October 1, 1951 through September 30, 1952. Comparable data on Assets and Liabilities prior to December 31, 1950 are shown in Appendix Table 13.

**TABLE 2**  
**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**  
**OF LICENSED CURRENCY EXCHANGES IN ILLINOIS**  
**DECEMBER 31, 1950, SEPTEMBER 30, 1951 AND 1952<sup>1</sup>**

Classification	December 31, 1950		September 30, 1951		September 30, 1952	
	577 Currency Exchanges	Per Cent	597 Currency Exchanges	Per Cent	607 Currency Exchanges	Per Cent
<b>ASSETS</b>						
Cash and Liquid Funds	\$12,072,600 <sup>2</sup>	83.7	\$12,156,195 <sup>3</sup>	82.3	\$12,647,618 <sup>4</sup>	80.1
Other Assets	2,344,108	16.3	2,616,347	17.7	3,133,013	19.9
<b>TOTAL</b>	<b>\$14,416,708</b>	<b>100.0</b>	<b>\$14,772,542</b>	<b>100.0</b>	<b>\$15,780,631</b>	<b>100.0</b>
<b>LIABILITIES</b>						
Money Order Liability	\$ 8,269,784	57.4	\$ 7,837,514	53.0	\$ 8,341,844	52.9
Other Liabilities	1,205,941	8.3	1,293,510	8.8	1,221,682	7.8
<b>TOTAL LIABILITIES</b>	<b>\$ 9,475,725</b>	<b>65.7</b>	<b>\$ 9,131,024</b>	<b>61.8</b>	<b>\$ 9,563,526</b>	<b>60.7</b>
Capital and Surplus	4,940,983	34.3	5,641,518	38.2	6,217,105	39.3
<b>TOTAL</b>	<b>\$14,416,708</b>	<b>100.0</b>	<b>\$14,772,542</b>	<b>100.0</b>	<b>\$15,780,631</b>	<b>100.0</b>

<sup>1</sup>As compiled from Annual Reports filed in accordance with Section 16 of the Currency Exchange Act.

<sup>2</sup>For a "Distribution by Amount of Available Cash Funds and Money Order Liability and Average Working Capital" as of December 31, 1950, see Table 5.

<sup>3</sup>For a "Distribution by Amount of Available Cash Funds and Money Order Liability and Average Working Capital" as of September 30, 1951, see Table 6.

<sup>4</sup>For a "Distribution by Amount of Available Cash Funds and Money Order Liability and Average Working Capital" as of September 30, 1952, see Table 7.

deed and the free act and deed of said corporation.

E. H. Dally  
H. E. May

Subscribed and sworn to before me  
this 4th day of February, 1949.

[Signature]

Notary Public,  
My commission expires

County, Minn.

1950  
My commission expires Feb. 8, 1950.

STATE OF MINNESOTA  
DEPARTMENT OF STATE

I hereby certify that the  
instrument was filed for record  
in my office on the 9 day of Feb  
A. D. 1949 at 8 o'clock a  
and was duly recorded in Book 2-9  
of Incorporations, page 250

[Signature]  
Secretary of State

APPR'D & FILED
INDEXED
IND. FILED
DEK. CHECKED



## MONEY ORDERS ISSUED, AVERAGE MONEY ORDER LIABILITY, AVERAGE CASH ON HAND AND BANK DEPOSITS

**MONEY ORDERS ISSUED:** During the year ending September 30, 1952, the amount of money orders issued by 607 Currency Exchanges averaged \$37,151,075 per month or a total of \$445,812,899, representing an approximate 35 to 1 turnover ratio of the total amount of cash and liquid funds:

**AVERAGE MONEY ORDER LIABILITY:** The average money order liability during the fiscal year ending September 30, 1952 amounted to \$8,481,505 as compared with \$7,308,385 for 597 Currency Exchanges and \$6,299,921 for 577 Currency Exchanges during the years 1951 and 1950 respectively, as shown in Table 3 below. Surety Bonds filed with the Auditor of Public Accounts for the year ending December 31, 1952 amounted to \$6,800,000 representing an overall coverage of 80.2% of the Average Money Order Liability as compared with 79.5% a year ago and 79.2% two years ago.

**AVERAGE CASH ON HAND:** The average amount of cash on hand designated as basic figure in determining the insurance requirements of a licensee amounted to \$3,457,217, as compared with \$3,162,786 and \$2,974,067 during the years 1951 and 1950 respectively. The fact that the minimum amount of insurance carried by 607 Currency Exchange licensees against loss by burglary, larceny, robbery, forgery and embezzlement amounts to \$3,537,100 or a coverage of 102.2%, however, is no indication that each Currency Exchange was adequately insured during the year 1952.

**BANK DEPOSITS:** During the year ending September 30, 1952 bank deposits averaged \$105,825,318 per month or a total of \$1,269,903,816 representing an approximate 105 to 1 turnover ratio of the total amount of cash and liquid funds of the 607 Currency Exchanges in operation as of September 30, 1952. Comparable data to Table 3 prior to December 31, 1950 are shown in Appendix Tables 12, 14, 15 and 16.

TABLE 3

(A) VOLUME IN DOLLARS OF MONEY ORDERS ISSUED, (B) AVERAGE MONEY ORDER LIABILITY, AMOUNT AND PER CENT SURETY, (C) AVERAGE AMOUNT OF CASH ON HAND AND AMOUNT AND PER CENT INSURANCE COVERAGE AND (D) TOTAL BANK DEPOSITS FOR THE YEARS ENDED DECEMBER 31, 1950, SEPTEMBER 30, 1951 AND 1952

Description	December 31, 1950	September 30, 1951	September 30, 1952
	577 Currency Exchanges	597 Currency Exchanges	607 Currency Exchanges
<b>A. MONEY ORDERS ISSUED</b>			
Monthly Average <sup>1</sup>	\$ 359,485,363 29,957,114	\$ 402,799,476 33,566,623	\$ 445,812,899 37,151,075
<b>B. AVGE. M. O. LIABILITY</b>			
Surety Bonds Filed <sup>2</sup>	6,299,921 4,987,000	7,308,385 5,808,000	8,481,505 6,800,000
Per Cent Coverage	79.2%	79.5%	80.2%
<b>C. AVERAGE CASH ON HAND</b>			
Insurance Carried <sup>3</sup>	2,974,067 3,223,500	3,162,786 3,397,100	3,457,217 3,537,100
Per Cent Coverage	108.4%	107.4%	102.2%
<b>D. BANK DEPOSITS</b>			
Monthly Average	1,174,863,551 97,905,296	1,229,146,666 102,428,888	1,269,903,816 105,825,318

<sup>1</sup> Partly estimated. Includes American Express Money Orders.

<sup>2</sup> Surety Bonds required under Section 5 of the Currency Exchange Act. See "Distribution by Amount of Average Money Order Liability" in Table 4 of this report.

<sup>3</sup> Amount of Insurance required under Section 6 of the Currency Exchange Act.

TABLE 4

DISTRIBUTION OF LICENSED CURRENCY EXCHANGES IN ILLINOIS  
BY AMOUNT OF AVERAGE MONEY ORDER LIABILITY FOR THE YEAR ENDING SEPTEMBER 30, 1952  
AND AMOUNT OF SURETY BONDS FILED FOR THE YEARS ENDING DECEMBER 31, 1952 AND 1953

Average Money Order Liability	Currency Exchanges		Average Money Order Liability for Year Ending Sept. 30, 1952		Surety Bonds Filed For Year Ending Dec. 31, 1952			Surety Bonds Filed For Year Ending Dec. 31, 1953		
	Number	%	Amount	%	Size of Bond	Total Amount	% of AMOL	Size of Bond	Total Amount	% of AMOL
TOTAL	607	100.0	\$8,481,505	100.0	\$ — 0 —	\$6,800,000	80.2	\$ — 0 —	\$7,781,000	91.7
Less than \$ 4,000	24	3.9	70,627	0.9	3,000	72,000	101.9	3,000	72,000	101.9
\$ 4,000 to \$ 5,000	14	2.3	65,418	0.8	4,000	57,000	87.1	4,000	57,000	87.1
\$ 5,000 to \$ 6,000	25	4.1	136,909	1.7	5,000	106,000	77.4	5,000	125,000	91.3
\$ 6,000 to \$ 7,000	33	5.4	214,058	2.5	6,000	170,000	79.8	6,000	200,000	93.4
\$ 7,000 to \$ 8,000	23	3.8	473,661	2.0	7,000	145,000	83.5	7,000	161,000	92.7
\$ 8,000 to \$ 9,000	38	6.3	323,180	3.8	8,000	265,000	82.0	8,000	304,000	94.1
\$ 9,000 to \$10,000	47	7.4	445,611	5.2	9,000	351,000	78.8	9,000	425,000	95.4
\$10,000 to \$11,000	39	6.4	410,988	4.8	10,000	339,000	82.4	10,000	390,000	94.9
\$11,000 to \$12,000	42	6.9	481,080	5.7	11,000	392,000	81.6	11,000	463,000	96.2
\$12,000 to \$13,000	49	8.1	613,236	7.2	12,000	510,000	83.1	12,000	589,000	96.1
\$13,000 to \$14,000	34	5.6	461,771	5.4	13,000	372,000	80.6	13,000	443,000	95.9
\$14,000 to \$15,000	37	6.1	537,039	6.3	14,000	446,000	83.0	14,000	519,000	96.6
\$15,000 to \$16,000	29	4.8	448,152	5.3	15,000	382,000	85.2	15,000	435,000	97.0
\$16,000 to \$17,000	22	3.6	362,647	4.3	16,000	275,000	75.9	16,000	354,000	97.6
\$17,000 to \$18,000	14	2.3	246,836	2.9	17,000	215,000	87.1	17,000	238,000	96.4
\$18,000 to \$19,000	16	2.6	295,416	3.5	18,000	248,000	83.9	18,000	288,000	97.5
\$19,000 to \$20,000	26	4.3	503,106	5.9	19,000	422,000	83.8	19,000	494,000	98.2
\$20,000 to \$21,000	7	1.3	143,760	1.7	20,000	123,000	85.6	20,000	140,000	97.3
\$21,000 to \$22,000	13	2.1	279,410	3.3	21,000	243,000	87.0	21,000	273,000	97.7
\$22,000 to \$23,000	12	2.0	270,956	3.2	22,000	229,000	84.5	22,000	265,000	97.8
\$23,000 to \$24,000	14	2.3	329,223	3.9	23,000	287,000	87.1	23,000	322,000	97.8
\$24,000 to \$25,000	2	0.3	49,154	0.6	24,000	40,000	81.3	24,000	49,000	99.7
\$25,000 and Over	47	7.8	1,619,267	19.1	25,000	1,111,000	68.6	25,000	1,175,000	72.6

NOTE: As provided under Section 14 of the Currency Exchange Act, surety bonds are required to be filed on or before November 15th for the next succeeding calendar year and being based on the previous year's average money order liability will necessarily result in a slightly different per cent coverage if computed on the average money order liability for the year for which said bonds are filed.

## SURETY BOND REQUIREMENTS

Surety bonds filed with the Auditor of Public Accounts for the year ending December 31, 1953, as shown in Table 4, and as provided under Section 5 of the Currency Exchange Act, amounted to \$7,781,000. This represents an increase of \$981,000 or 14.4% over the 1952 surety bond requirements or an overall coverage of 91.7% of the average money order liability, as compared with 80.2% and 79.5% for 1952 and 1951 respectively.

It should be noted that this coverage amounted to 17.9% and 15.4% during the first two years of Currency Exchanges under State supervision, and that subsequent increases in the surety bond requirements became a necessity to public safety and the financial security of the Currency Exchange business.

Thirty-eight (38) Currency Exchanges or 6.2% show an average money order liability of less than \$5,000. Surety bonds filed for this group of Currency Exchanges amounted to \$129,000 for the years 1952 and 1953, representing a coverage of 94.8% for the two year period.

Three hundred sixty-seven (367) Currency Exchanges with an average money order liability of \$5,000 to \$15,000 and one hundred fifty-five (155) Currency Exchanges with an average money order liability of \$15,000 to \$25,000 ranged in coverage from 75.9% to 87.1% for the year 1952 as compared with a range of 91.3% to 99.7% for the year 1953.

Forty-seven (47) Currency Exchanges with an average money order liability in excess of \$25,000 during 1952, representing \$1,619,267 or 19.1% of the total average money order liability of \$8,481,505, filed annual surety bonds of \$1,111,000 for the year 1952 and \$1,175,000 for the year 1953, representing a coverage of 68.6% and 72.6% respectively for the two years.

Comparable data on the average money order liability, amount of surety bonds filed, per cent deviation and per cent surety coverage, by year, for the period December 31, 1943 through September 30, 1952 are shown in Appendix Table 14 on Page 12 of this report.

TABLE 5  
DISTRIBUTION OF LICENSED CURRENCY EXCHANGES IN ILLINOIS  
BY AMOUNT OF AVAILABLE CASH FUNDS AND MONEY ORDER LIABILITY,  
AND AVERAGE WORKING CAPITAL,  
AS OF DECEMBER 31, 1950

Available Cash Funds	Number of Exchanges	Available Cash Funds		Money Order Liability		Average Working Capital
		Amount	Per Cent	Amount	Per Cent	
TOTAL	577	\$12,072,600	100.0	\$8,269,784	100.0	\$ 6,591
Less than \$ 5,000.00	7	25,346	0.2	5,437	0.1	2,844
\$ 5,000.00 to 10,000.00	65	528,348	4.4	335,448	4.1	2,968
10,000.00 to 15,000.00	112	1,416,319	11.7	977,835	11.8	3,915
15,000.00 to 20,000.00	144	2,487,084	20.6	1,742,175	21.1	5,173
20,000.00 to 25,000.00	100	2,217,032	18.4	1,527,703	18.5	6,893
25,000.00 to 30,000.00	62	1,703,709	14.1	1,141,872	13.8	9,062
30,000.00 to 35,000.00	27	860,959	7.1	606,537	7.3	9,423
35,000.00 to 40,000.00	24	897,411	7.4	598,779	7.2	12,443
40,000.00 to 45,000.00	13	547,543	4.6	394,999	4.8	11,734
45,000.00 to 50,000.00	8	377,333	3.1	257,507	3.1	14,978
50,000 and Over	15	1,011,516	8.4	681,492	8.2	22,092

Minimum capital of \$2,000.00 required under Section 7 of the Currency Exchange Act



TABLE 6

DISTRIBUTION OF LICENSED CURRENCY EXCHANGES IN ILLINOIS  
BY AMOUNT OF AVAILABLE CASH FUNDS AND MONEY ORDER LIABILITY,  
AND AVERAGE WORKING CAPITAL,<sup>1</sup>  
AS OF SEPTEMBER 30, 1951

Available Cash Funds	Number of Exchanges	Available Cash Funds		Money Order Liability		Average Working Capital
		Amount	Per Cent	Amount	Per Cent	
TOTAL	597	\$12,156,195	100.0	\$7,837,514	100.0	\$ 7,234
Less than \$ 5,000.00	4	16,101	0.1	3,552	0.1	3,137
\$ 5,000.00 to 10,000.00	65	532,458	4.4	290,768	3.7	3,718
10,000.00 to 15,000.00	146	1,857,771	15.3	1,220,072	15.6	4,347
15,000.00 to 20,000.00	141	2,440,062	20.1	1,680,755	21.4	5,385
20,000.00 to 25,000.00	105	2,335,955	19.2	1,530,822	19.5	7,668
25,000.00 to 30,000.00	48	1,314,808	10.8	831,628	10.6	10,066
30,000.00 to 35,000.00	35	1,124,365	9.2	713,481	9.1	11,740
35,000.00 to 40,000.00	18	671,674	5.5	381,199	4.9	16,138
40,000.00 to 45,000.00	12	512,470	4.2	326,046	4.2	15,535
45,000.00 to 50,000.00	8	383,242	3.2	215,324	2.7	20,989
50,000.00 and Over	15	970,289	8.0	643,867	8.2	21,761

<sup>1</sup> Minimum capital of \$3,000.00 required under Section 7 of the Currency Exchange Act.

TABLE 7

DISTRIBUTION OF LICENSED CURRENCY EXCHANGES IN ILLINOIS  
BY AMOUNT OF AVAILABLE CASH FUNDS AND MONEY ORDER LIABILITY,  
AND AVERAGE WORKING CAPITAL,<sup>1</sup>  
AS OF SEPTEMBER 30, 1952

Available Cash Funds	Number of Exchanges	Available Cash Funds		Money Order Liability		Average Working Capital
		Amount	Per Cent	Amount	Per Cent	
TOTAL	607	\$12,647,618	100.0	\$8,341,844	100.0	\$ 7,093
Less than \$ 5,000.00	4	15,886	0.1	2,826	0.1	3,265
\$ 5,000.00 to 10,000.00	59	479,615	3.9	251,986	3.0	3,858
10,000.00 to 15,000.00	145	1,835,917	14.6	1,236,140	14.9	4,136
15,000.00 to 20,000.00	145	2,540,199	20.2	1,737,440	20.8	5,536
20,000.00 to 25,000.00	106	2,364,136	18.8	1,620,725	19.4	7,013
25,000.00 to 30,000.00	60	1,655,284	13.2	1,135,200	13.7	8,668
30,000.00 to 35,000.00	34	1,106,006	8.1	678,778	8.1	12,565
35,000.00 to 40,000.00	12	440,194	3.5	294,652	3.5	12,128
40,000.00 to 45,000.00	11	470,404	3.8	255,010	3.0	19,581
45,000.00 to 50,000.00	11	518,289	4.1	335,895	4.0	16,581
50,000.00 and Over	20	1,221,688	9.7	793,192	9.5	21,424

<sup>1</sup> Minimum capital of \$3,000.00 required under Section 7 of the Currency Exchange Act.

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**REPORT ON CURRENCY EXCHANGES LICENSED  
IN THE STATE OF ILLINOIS**

**January 1, 1950 thru September 30, 1952**

*Appendix*

TABLE 8  
CUMULATIVE NUMBER OF APPLICATIONS PENDING, WITHDRAWN,  
DENIED AND APPROVED SINCE OCTOBER 1, 1943

CUMULATIVE NUMBER OF CURRENCY EXCHANGE LICENSE APPLICATIONS									
Year Ending	Total Number	Pending		Withdrawn		Denied		Approved	
		Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
Dec. 31, 1943	455	26	5.7	9	2.0			420	92.3
" 31, 1944	564	34	6.0	15	2.7			515	91.3
" 31, 1945	772	58	7.5	27	3.5	7	0.9	680	88.1
" 31, 1946	860	30	3.5	57	6.6	10	1.2	763	88.7
" 31, 1947	930	15	1.6	81	8.7	12	1.3	822	88.4
" 31, 1948	995	25	2.5	93	9.4	12	1.2	865	86.9
" 31, 1949	1,078	31	2.9	120	11.1	12	1.1	915	84.9
" 31, 1950	1,163	22	1.9	169	14.5	12	1.0	960	82.6
Sep. 30, 1951	1,201	6	0.5	193	16.1	12	1.0	990	82.4
" 30, 1952	1,280	6	0.5	227	17.7	14	1.1	1,033	80.7

TABLE 9  
CUMULATIVE NUMBER OF CURRENCY EXCHANGE LICENSES IN FORCE,  
IN DEFAULT, SURRENDERED AND REVOKED SINCE OCTOBER 1, 1943

CUMULATIVE CURRENCY EXCHANGE LICENSES									
Year Ending	Total Number	In Force		In Liquidation		Surrendered		Revoked	
		Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
Dec. 31, 1943	420	410	97.6			10	2.4		
" 31, 1944	515	434	84.3			76	14.8	5	0.9
" 31, 1945	680	520	76.5			154	22.6	6	0.9
" 31, 1946	763	533	69.9			223	29.2	7	0.9
" 31, 1947	822	538	65.5			274	33.3	10	1.2
" 31, 1948	865	540	62.4			315	36.4	10	1.2
" 31, 1949	915	550	60.1	7	0.8	345	37.7	13	1.4
" 31, 1950	960	577	60.1	6	0.6	364	37.9	13	1.4
Sep. 30, 1951	990	597	60.3	8	0.8	372	37.6	13	1.3
" 30, 1952	1,033	607	58.8	7	0.7	406	39.3	13	1.2



TABLE 10

NUMBER OF CURRENCY EXCHANGE LICENSES ISSUED SINCE OCTOBER 1, 1943,  
NUMBER AND PER CENT OF CURRENCY EXCHANGE LICENSES SURRENDERED, REVOKED AND IN FORCE,  
AND NET INCREASE, BY YEAR, FOR THE PERIOD OCTOBER 1, 1943 THROUGH SEPTEMBER 30, 1952

Year Ending	CURRENCY EXCHANGE LICENSES							
	In Force Beginning of Year	Issued	Surrendered		Revoked	In Force At End of Year	Net Increase	
			Change of Ownership	Terminated			Number	Per Cent
December 31, 1943.		420	- 9	- 1		=410		
" 31, 1944.	410	+ 95	- 57	- 9	- 5	=434	+ 24	+ 5.9
" 31, 1945.	434	+ 165	- 60	- 18	- 1	=520	+ 86	+19.8
" 31, 1946.	520	+ 83	- 56	- 13	- 1	=533	+ 13	+ 2.5
" 31, 1947.	533	+ 59	- 38	- 13	- 3	=538	+ 5	+ 0.9
" 31, 1948.	538	+ 43	- 30	- 11		=540	+ 2	+ 0.4
" 31, 1949.	540	+ 50	- 30	- 7	- 3	=550	+ 10	+ 1.9
" 31, 1950.	550	+ 45	- 18			=577	+ 27	+ 4.9
September 30, 1951.	577	+ 30	- 7	- 3		=597	+ 20	+ 3.4
" 30, 1952.	597	+ 43	- 30	- 3		=607	+ 10	+ 1.7
TOTAL: Number Per Cent	xxx xxx	1,033 100%	-335 32.4%	-78 7.6%	-13 1.2%	=607 58.8%	+197	+48.0
RECAPITULATION:							Number	Per Cent
Number of Currency Exchange Licenses Issued Since October 1, 1943.							1,033	100.0
Less: Currency Exchange Licenses Surrendered, because of Change of Ownership.							335	32.4
Currency Exchange Licenses Surrendered, because of Termination of Exchange.							78	7.6
Currency Exchange Licenses Revoked.							13	1.2
Total Number of Currency Exchange Licenses Surrendered and Revoked.							426	41.2
Number of Currency Exchange Licenses in Force as of September 30, 1952.							607	58.8

TABLE 11

CUMULATIVE NUMBER OF CURRENCY EXCHANGE LICENSES, BY TYPE  
OF OWNERSHIP, SINCE OCTOBER 1, 1943

CUMULATIVE LICENSES, BY TYPE OF OWNERSHIP									
Year Ending	Total Number	Individual		Partnership		Corporation		Trustee	
		Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
Dec. 31, 1943	410	202	49.3	160	39.0	47	11.5	1	0.2
" 31, 1944	434	240	55.3	147	33.9	46	10.6	1	0.2
" 31, 1945	520	285	54.8	166	31.9	68	13.1	1	0.2
" 31, 1946	533	266	49.9	131	24.6	135	25.3	1	0.2
" 31, 1947	538	256	47.6	121	22.5	161	29.9		
" 31, 1948	540	237	43.9	112	20.7	191	35.4		
" 31, 1949	550	225	40.9	107	19.5	218	39.6		
" 31, 1950	577	218	37.8	102	17.7	251	43.5	6	1.0
Sep. 30, 1951	597	213	35.7	102	17.1	276	46.2	6	1.0
" 30, 1952	607	206	33.9	94	15.5	303	50.0	4	0.6

TABLE 12

VOLUME IN DOLLARS OF MONEY ORDERS ISSUED BY LICENSED CURRENCY  
EXCHANGES IN ILLINOIS AND PER CENT DEVIATION, BY YEAR, FOR THE  
PERIOD DECEMBER 31, 1943 THROUGH SEPTEMBER 30, 1952

VOLUME IN DOLLARS OF MONEY ORDERS ISSUED					
Year Ending	Number of Currency Exchanges	Yearly Total	Deviation		Monthly Average
			Amount	Per Cent	
Dec. 31, 1943	410	\$175,909,531			\$14,659,127
" 31, 1944	434	180,751,573	+\$ 4,842,042	+ 2.8	15,062,631
" 31, 1945	520	213,712,406	+ 32,960,833	+18.2	17,809,367
" 31, 1946	533	228,655,014	+ 14,942,608	+ 7.0	19,054,584
" 31, 1947	538	260,969,737	+ 32,314,723	+14.1	21,747,478
" 31, 1948	540	289,303,832	+ 28,334,095	+10.9	24,108,652
" 31, 1949	550	313,465,897	+ 24,162,065	+ 8.4	26,122,158
" 31, 1950	577	359,485,363	+ 46,019,466	+14.7	29,957,114
Sep. 30, 1951	597	402,799,476	+ 43,314,113	+12.0	33,566,623
" 30, 1952	607	445,812,899	+ 43,013,423	+10.6	37,151,075

TABLE 13

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF LICENSED  
CURRENCY EXCHANGES IN ILLINOIS, BY YEAR, FOR THE PERIOD  
DECEMBER 31, 1943 THROUGH SEPTEMBER 30, 1952

Year Ending	Number of Currency Exchanges	ASSETS				
		Total Assets	Cash Funds		Other Assets	
			Amount	Per Cent	Amount	Per Cent
Dec. 31, 1943	410	\$ 5,718,967	\$ 5,007,028	87.6	\$ 711,939	12.4
" 31, 1944	434	6,476,338	5,668,995	87.5	807,343	12.5
" 31, 1945	520	8,169,692	7,158,327	87.6	1,011,365	12.4
" 31, 1946	533	9,224,263	8,004,679	86.8	1,219,584	13.2
" 31, 1947	538	9,955,229	8,522,839	85.6	1,432,390	14.4
" 31, 1948	540	10,798,632	9,107,161	84.3	1,691,471	15.7
" 31, 1949	550	12,005,936	10,066,342	83.8	1,939,594	16.2
" 31, 1950	577	14,416,708	12,072,600	83.7	2,344,108	16.3
Sep. 30, 1951	597	14,772,542	12,156,195	82.3	2,616,347	17.7
" 30, 1952	607	15,780,631	12,647,618	80.1	3,133,013	19.9

LIABILITIES						
Year Ending	Money Order Liability		Other Liabilities		Capital and Surplus	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Dec. 31, 1943	\$2,587,555	45.2	\$ 789,187	13.8	\$2,342,225	41.0
" 31, 1944	2,986,200	46.1	766,688	11.8	2,723,450	42.1
" 31, 1945	4,160,109	50.9	766,287	9.4	3,243,296	39.7
" 31, 1946	4,648,606	50.4	718,299	7.8	3,857,358	41.8
" 31, 1947	4,960,379	49.8	873,532	8.8	4,121,318	41.4
" 31, 1948	5,522,410	51.1	931,739	8.6	4,344,483	40.3
" 31, 1949	6,450,028	53.7	978,077	8.2	4,577,831	38.1
" 31, 1950	8,269,784	57.4	1,205,941	8.3	4,940,983	34.3
Sep. 30, 1951	7,837,514	53.0	1,293,510	8.8	5,641,518	38.2
" 30, 1952	8,341,844	52.9	1,221,682	7.8	6,217,105	39.3



TABLE 14

AVERAGE MONTHLY MONEY ORDER LIABILITY OF LICENSED CURRENCY EXCHANGES IN ILLINOIS, AMOUNT OF SURETY BONDS FILED, PER CENT DEVIATION AND PER CENT SURETY COVERAGE, BY YEAR, FOR THE PERIOD DECEMBER 31, 1943 THROUGH SEPTEMBER 30, 1952

Year Ending	Number of Currency Exchanges	AVERAGE MONTHLY MONEY ORDER LIABILITY		SURETY BONDS FILED WITH STATE AUDITOR		Per Cent Surety Coverage
		Amount	Per Cent Deviation	Amount	Per Cent Deviation	
Dec. 31, 1943	410	\$2,288,311		\$ 410,000		17.9
" 31, 1944	434	2,826,307	+23.5	434,000	+ 5.9	15.4
" 31, 1945	520	3,549,215	+25.6	914,000	+110.6	25.8
" 31, 1946	533	4,168,094	+17.4	1,644,000	+79.9	39.4
" 31, 1947	538	4,582,713	+ 9.9	1,732,000	+ 5.4	37.8
" 31, 1948	540	5,129,066	+11.9	3,586,000	+107.0	69.9
" 31, 1949	550	5,300,760	+ 3.3	3,993,000	+ 10.2	75.3
" 31, 1950	577	6,299,921	+18.8	4,987,000	+ 24.9	79.2
Sep. 30, 1951	597	7,308,385	+16.0	5,808,000	+ 16.5	79.5
" 30, 1952	607	8,481,505	+16.1	6,800,000	+ 47.1	80.2

TABLE 15

AVERAGE MONTHLY CASH ON HAND OF LICENSED CURRENCY EXCHANGES IN ILLINOIS, AMOUNT OF INSURANCE CARRIED, PER CENT DEVIATION AND PER CENT COVERAGE, BY YEAR, FOR THE PERIOD DECEMBER 31, 1943 THROUGH SEPTEMBER 30, 1952

Year Ending	Number of Currency Exchanges	AVERAGE MONTHLY CASH ON HAND		INSURANCE CARRIED (See Section 6)		Per Cent Insurance Coverage
		Amount	Per Cent Deviation	Amount	Per Cent Deviation	
Dec. 31, 1943	410	\$1,936,809		\$1,744,000		90.0
" 31, 1944	434	2,099,896	+ 8.4	2,190,000	+25.6	104.3
" 31, 1945	520	2,228,776	+ 6.1	2,543,200	+16.1	114.1
" 31, 1946	533	2,340,279	+ 5.0	2,714,250	+ 6.7	116.0
" 31, 1947	538	2,672,912	+14.2	2,824,750	+ 4.1	105.7
" 31, 1948	540	2,652,356	- 0.8	2,992,850	+ 6.0	112.8
" 31, 1949	550	2,743,115	+ 3.4	3,043,100	+ 1.7	110.9
" 31, 1950	577	2,974,067	+ 8.4	3,223,500	+ 5.9	108.4
Sep. 30, 1951	597	3,162,786	+ 6.3	3,397,100	+ 5.4	107.4
" 30, 1952	607	3,457,217	+ 9.3	3,537,100	+ 4.1	102.2



TABLE 16  
VOLUME IN DOLLARS OF BANK DEPOSITS BY LICENSED CURRENCY EXCHANGES  
IN ILLINOIS AND PER CENT DEVIATION, BY YEAR, FOR THE PERIOD  
DECEMBER 31, 1943 THROUGH SEPTEMBER 30, 1952.

Year Ending	Number of Currency Exchanges	VOLUME IN DOLLARS OF BANK DEPOSITS			
		Yearly Total	Deviation		Monthly Average
			Amount	Per Cent	
Dec. 31, 1943	410	\$833,914,170*	\$		\$69,492,847*
" 31, 1944	434	882,728,658*	+ 48,814,488	+ 5.8	73,560,721*
" 31, 1945	520	1,057,647,240*	+174,918,582	+19.8	88,137,270*
" 31, 1946	533	1,084,088,421*	+ 26,441,181	+ 2.5	90,340,701*
" 31, 1947	538	1,094,258,106*	+ 10,169,685	+ 0.9	91,188,175*
" 31, 1948	540	1,098,326,948	+ 4,068,842	+ 0.4	91,527,245
" 31, 1949	550	1,108,382,865	+ 10,055,917	+ 0.9	92,365,238
" 31, 1950	577	1,174,863,551	+ 66,480,686	+ 6.0	97,905,296
Sep. 30, 1951	597	1,229,146,666	+ 54,283,115	+ 4.6	102,428,888
" 30, 1952	607	1,269,903,816	+ 40,757,150	+ 3.3	105,825,318

\*Estimated

TABLE 17  
AMOUNT OF AVAILABLE CASH FUNDS AND MONEY ORDER LIABILITY OF LICENSED  
CURRENCY EXCHANGES IN ILLINOIS, PER CENT DEVIATION AND AVERAGE  
AMOUNT OF WORKING CAPITAL, BY YEAR, FOR THE PERIOD  
DECEMBER 31, 1943 THROUGH SEPTEMBER 30, 1952

Year Ending	Number of Currency Exchanges	AVAILABLE CASH FUNDS		MONEY ORDER LIABILITY		Average Working Capital
		Amount	Per Cent Deviation	Amount	Per Cent Deviation	
Dec. 31, 1943	410	\$ 5,007,028		\$2,587,555		\$5,901
" 31, 1944	434	5,668,995	+13.2	2,986,200	+15.4	6,181
" 31, 1945	520	7,158,327	+26.3	4,160,109	+39.3	5,763
" 31, 1946	533	8,004,679	+11.2	4,648,606	+11.7	6,296
" 31, 1947	538	8,522,839	+ 6.5	4,960,379	+ 6.7	6,621
" 31, 1948	540	9,107,161	+ 6.9	5,522,410	+11.3	6,638
" 31, 1949	550	10,066,342	+10.5	6,450,028	+16.8	6,575
" 31, 1950	577	12,072,600	+19.9	8,269,784	+28.2	6,591
Sep. 30, 1951	597	12,156,195	+ 0.7	7,837,514	- 5.2	7,234
" 30, 1952	607	12,647,618	+ 4.0	8,341,844	+ 6.4	7,093

## CHANGES IN CURRENCY EXCHANGE LAWS SINCE OCTOBER 1, 1943

A brief summary of the amendments to the "Currency Exchange Act" as enacted by the Sixty-fourth General Assembly during 1945, the Sixty-fifth General Assembly during 1947, the Sixty-sixth General Assembly during 1949 and the Sixty-seventh General Assembly during 1951 is presented in the following paragraphs:

- I. Senate Bill 106 (Approved June 13, 1945) amends Section 4 of the Currency Exchange Act and requires an application for a license to contain information concerning the applicant's occupation or profession; a detailed statement of his business experience immediately preceding his application; a detailed statement of his finances; his present or previous connection with any other community currency exchange; whether he has ever been involved in any civil or criminal litigation; whether he has ever been committed to any penal institution or admitted to an institution for the care and treatment of mentally ill persons; and the nature of the applicant's occupancy of the premises to be licensed.
- II. Senate Bill 107 (in Force July 21, 1945) amends Sections 2, 5, 7, 8, 13 and 14 of the Currency Exchange Act and adds Sections 4.1 and 15.1 thereto as follows:
  - (1) Section 2 is amended to provide a penalty for any person operating a community currency exchange without having secured a license to do so from the Auditor of Public Accounts.
  - (2) Section 5 is amended to increase from One Thousand (\$1,000.00) Dollars to Two Thousand (\$2,000.00) Dollars the amount of bond required to be filed by the licensee before a license shall be issued and fixes the amount of bond the licensee is to furnish for subsequent years to a maximum of Five Thousand (\$5,000.00) Dollars dependent upon the average money order liability of each currency exchange.
  - (3) Section 7 is amended to increase the amount of licensee's own cash and available funds from Fifteen Hundred (\$1,500.00) Dollars to Two Thousand (\$2,000.00) Dollars.
  - (4) Section 8 is amended to prohibit any currency exchange hereafter licensed for the first time to share any room with any other business, trade or profession, nor shall it occupy any room from which there is direct access to a room occupied by any other business, trade or profession.
  - (5) Section 13 is amended to permit a currency exchange licensee to change the name of the business without applying for a new license.
  - (6) Section 14 is amended to change the date for payment of the annual license fee from December 20 to December 1 of each year.
  - (7) Section 4.1 requires the Auditor, upon receipt of an application for a license, to investigate the need of a community for the establishment of a community currency exchange at the location specified.
  - (8) Section 15.1 directs the Auditor to appoint a receiver to operate and liquidate the business, if he finds that any licensee is insolvent or is violating this Act, and sets forth court procedure for the purpose of liquidating such currency exchange.
- III. House Bill 160 (Approved June 3, 1947) amends Sections 1, 2, 3 and 5 of the Currency Exchange Act as follows:
  - (1) Section 1 is amended to re-define the provisions of the Act applicable to any person, firm, association, partnership or corporation engaged in the business of transporting for hire, bullion, currency, securities, negotiable or non-negotiable documents, jewels or other property of great monetary value in exempting them from the provisions of the law.

A. Roughly, from 1919 to 1923, I was in the president's office working in various duties, primarily in connection [fol. 422] with the operations abroad.

In 1923 I assumed the post of assistant to the president, in charge of foreign office administration.

In 1926 I was elected a vice president, with the same duties.

In 1932 I retained those duties and was also elected vice president and treasurer.

In about 1937 I gave up the work on foreign offices but continued as vice president and treasurer.

In 1944 I was elected executive vice president; and somewhere along the line I was elected a director of the company, I think back in the 30s, but I don't remember the date.

Q. You have been with the company continually all that time?

A. Yes, continually all that time.

Q. What is the form of organization of American Express Company? Is it a partnership, or a corporation, or a joint stock association?

A. My recollection is it is a joint stock association.

Mr. Wines: I am going to offer in evidence——

Mr. Yowell: You are not offering it in evidence, at this time?

Mr. Wines: Yes, I am. I am not laying the foundation [fol. 423] with this witness because this is a certified document.

Mr. Yowell: I know; you are identifying it; but you are not offering it in evidence I take it at this stage, are you?

Mr. Wines: I am identifying it.

Mr. Yowell: All right.

Mr. Wines: As defendant's exhibit 1; a certified copy of Articles of Merger and Association between the American Express Company and the Merchants Union Express Company, bearing date November 25, 1868.

Marked Defendants' Exhibit 1 for Identification.

Mr. Wines: Also, I ask to have marked for identification as Defendants' Exhibit 2 certified copy of Article of Association and By-laws of the American Express Company, as amended to date.



- (2) Section 2 is amended to direct the Attorney General of the State or State's Attorney of the County, in which a violation occurs, to file a complaint in the Circuit Court of the County to restrain said violation.
- (3) Section 3 is amended to permit a currency exchange to accept funds for the payment of local utility bills.
- (4) Section 5 is amended to increase from Two Thousand (\$2,000.00) Dollars to Three Thousand (\$3,000.00) Dollars the amount of bond required to be filed by the licensee before a license shall be issued and fixes the amount of bond the licensee is to furnish for subsequent years to a maximum of Fifteen Thousand (\$15,000.00) Dollars dependent upon the average amount of money order liability of each currency exchange.

Senate Bill 177 (Approved August 3, 1949) amends Sections 3, 5, 6 and 15.1, and adds Sections 3.1 and 4.2 thereto as follows:

- (1) Section 3 is amended to permit a currency exchange licensee to obtain state automobile and city vehicle licenses for a fee or service charge, to render a photostat service and a notary service by the proprietor or any of his employees, and to sell traveler's checks obtained from a banking institution under a trust receipt.
- (2) Section 3.1 permits a currency exchange licensee to render a State or Federal income tax service by the proprietor or any of his employees.
- (3) Section 4.2 provides for the licensing of any Administrator, Executor, Guardian or Conservator appointed, approved or qualified by any court of the State of Illinois upon the entry of an order by such court to continue the operation of a currency exchange held or contained in an estate.
- (4) Section 5 is amended to provide for a surety bond the licensee is to furnish for subsequent years from a minimum of Three Thousand (\$3,000.00) Dollars to a maximum of Twenty Five Thousand (\$25,000.00) Dollars dependent upon the average money order liability of each currency exchange.
- (5) Section 6 is amended to provide for insurance a licensee must carry against loss by burglary, larceny, robbery, forgery or embezzlement for a minimum of Two Thousand Five Hundred (\$2,500.00) Dollars and a maximum of Thirty Five Thousand (\$35,000.00) Dollars dependent upon the average amount of cash and liquid funds to be kept on hand in the office of the currency exchange licensee.
- (6) Section 15.1 is amended to direct the receiver of a currency exchange to file with the Clerk of the Court having jurisdiction over said receivership a correct list of all creditors who have not presented their claims and at the close of such receivership to deposit with the Auditor of Public Accounts all unclaimed dividends for further distribution and to turn over to the Auditor all books of account and ledgers of such currency exchange for preservation and directs that all records of such receivership shall be held by the Auditor for a period of two years.

House Bill 283 (Approved June 9, 1949) adds Sections 22.01 and 22.02 to the Act and repeals Section 22 of the Currency Exchange Act as follows:

- (1) Section 22.01 requires that, effective January 1, 1950, all final administrative decisions of the Auditor, after said date, shall be subject to judicial review pursuant to the provisions of the Administrative Review Act. (Approved May 8, 1948)
- (2) Section 22.02 provides that, effective January 1, 1950, appeals from all final orders and judgments entered by the court in review of any final administrative decision of the Auditor, after said date, may be taken directly to the Supreme Court by either party to the action in accordance with the provisions of the Civil Practice Act.

VI. House Bill 436 (Approved June 26, 1951) amends Sections 4.1, 5, 6, 7, 13, 15 and 15.1 and adds Sections 10.1 and 15.2 thereto as follows:

- (1) Section 4.1 is amended to re-define the need of a community for the establishment of a community currency exchange at the location specified in the application.
- (2) Section 5 is amended to re-define the creditors of a currency exchange, the purpose of a surety bond to be filed with the Auditor and the liabilities incurred by a currency exchange and covered by said surety bond.
- (3) Section 6 is amended to provide for the filing with the Auditor of a policy or policies of insurance against loss by burglary, larceny, robbery, forgery and embezzlement and the approval by the Auditor of such policy or policies of insurance.
- (4) Section 7 is amended to increase the amount of the licensee's own cash and liquid funds from Two Thousand Dollars (\$2,000.00) to Three Thousand Dollars (\$3,000.00), and provides that a receiver shall have the right to recover from the owner or owners of a currency exchange, or from the stockholders or directors thereof, if a corporation, any deficiency of said minimum sum which was not on hand or available at the time of the appointment of such receiver.
- (5) Section 10.1 provides for the hearing procedure relating to any matter under hearing pursuant to this Act, empowers the Auditor and the hearing officer to require by subpoena the attendance and testimony of witnesses to produce all documentary evidence, to issue subpoenas at the request of any interested party, and to administer oaths and affirmations to all witnesses appearing before them.
- (6) Section 13 is amended to direct the Auditor to treat every application for change of location with respect to approval or disapproval of the proposed location, in the same manner as is otherwise provided in this Act for the treatment of proposed locations as contained in original applications for community currency exchange licenses.
- (7) Section 15 is amended to provide for revocation of a currency exchange license if the licensee has not operated his currency exchange for a period of sixty consecutive days, unless the licensee was prevented from operating during such period by reason of events or acts beyond the licensee's control.
- (8) Section 15.1 is amended to provide that the receiver shall succeed to whatever rights or remedies the unsecured creditors of the currency exchange may have against the owner or owners, operators, stockholders, directors or officers thereof, arising out of their claim against the currency exchange; to provide for the payment of all expenses of the receivership to be paid out of the assets of the currency exchange prior to and ahead of all claims; and to deny any bonding or insurance company sued by the receiver the right to interpose or maintain any counter-claim based upon subrogation, or upon any express or implied agreement of, or right to, indemnity or exoneration, or upon any other express or implied agreement with, or right against, the currency exchange.
- (9) Section 15.2 provides for the orderly liquidation of a currency exchange terminating its affairs, it requires a licensee to file a statement of termination, to deposit with the Auditor an amount equal to the total liabilities, including the costs and expenses of this proceeding, the publication of notices and liquidation fee of two per cent of any liability up to \$5,000.00 and one per cent of any liability in excess of \$5,000.00 and the return of any balance of money to the person or persons designated in the statement of termination after the expiration of a three year period from the date of the first publication of notice.

VII. House Bill 437 (Effective July 1, 1951) amends Sections 1, 2, 3, 4, 8, 9, 10, 11, 14, 15, 16 and 18 and the title of "An Act in relation to the regulation of community currency exchanges and the operators and employees thereof and to make an appropriation therefor (Approved June 30, 1953, as amended) and to add Sections 101, 191, 192, 28, 29 and 30 thereto:

- (1) Section 01 states legislative findings and declaration relative to the need of licensing and supervising ambulatory currency exchanges.
- (2) Section 1 is amended to define the operation of an ambulatory currency exchange.
- (3) Section 2 is amended to direct any ambulatory currency exchange to secure a license or licenses for the conduct of its business at each and every location served by it and prohibits an ambulatory currency exchange from conducting any business on any public street or highway.
- (4) Section 3 is amended to provide powers and restrictions for ambulatory currency exchanges similar to those provided for community currency exchanges.
- (5) Section 4 is amended to provide for a fee of \$25.00 for the cost of questioning the applicant for an ambulatory currency exchange license, and an annual license fee of \$10.00 for each and every location to be served by such applicant, or \$5.00 for the balance of such year for each and every location to be served by such applicant if the applicant is applying for such license after July 1st of any year. It further requires said applicant to file with the Auditor at the time of filing an application, a letter or memorandum, which shall be in writing, and under oath, signed by the owner or authorized representative of the place of business where service is to be rendered, that such service is desired and that the person signing the same is authorized to do so.
- (6) Section 8 is amended to provide the same requirements for ambulatory currency exchanges as are provided for community currency exchanges.
- (7) Section 9 is amended to provide that no community currency exchange or ambulatory currency exchange shall issue tokens to be used in lieu of money for the purchase of goods or services from any enterprise.
- (8) Section 10 is amended to provide similar requirements for ambulatory currency exchanges as are provided for community currency exchanges. It directs the Auditor to approve or deny every application within ninety (90) days from the filing thereof, except that in respect to an application by an approved ambulatory currency exchange for a license with regard to a particular location to be served by it, the same shall be approved or denied within twenty (20) days from the filing thereof.
- (9) Section 11 is amended to provide that an ambulatory currency exchange license shall state the name and office address of the licensee and the name and address of the location or locations to be served by the licensee and shall not be transferable or assignable.
- (10) Section 14 is amended to change from December 1st to November 15th of each year the date for payment of the annual license fee, the filing of the annual report, the annual surety bond and the insurance policy or policies.
- (11) Section 15 is amended to provide for the revocation of an ambulatory currency exchange license in the same manner and under conditions similar to those provided for community currency exchange licenses.
- (12) Section 16 is amended to change from February 15th to November 15th of each year the date for filing a report with the Auditor for the fiscal year period from October 1st to September 30th, and subjects ambulatory currency exchanges to the same supervision, examination and payment of examination fee as are provided for community currency exchanges.
- (13) Section 18 is amended to require an applicant for a community currency exchange license to have a permanent address as evidenced by a lease of at least six months duration or other suitable evidence of permanency, and the license issued pursuant to the application shall be valid only at that address or any new address approved by the Auditor.
- (14) Section 19 provides that whenever an ambulatory currency exchange shall be actively engaged at any place or station on a location licensed under this Act in



the cashing of checks other than from within an armored vehicle, such currency exchange shall provide at least one armed guard at each such place or station, in addition to the person or persons cashing checks.

- (15) Section 19.2 requires an ambulatory currency exchange licensee to file with and have approved by the Auditor a surety bond in the penal sum of \$2,000.00 for each location served by it. Said bond shall be conditioned that the licensee serving the location shall comply with Section 19.1 of this Act and shall pay all lawful claims for money or other property loss, or bodily injury, suffered in the course and by reason of a holdup at such location, that shall occur at the time or times when said licensee failed to comply with said Section 19.1. The applicant shall have the right to file annually in lieu of the bond or bonds required by this Section, a blanket surety bond covering all the locations served and to be served by such applicant, in a penal sum not to exceed \$100,000.00, conditioned and payable as aforesaid, and specifying that the liability thereunder for each location shall be limited to \$2,000.00.
- (16) Section 28 provides: "Unless an ambulatory currency exchange shall engage in the business of selling or issuing money orders under his, their or its name, or any money orders other than those excepted in Section 1 of this Act, Sections 5, 6 and 7 of this Act shall not be applicable to it. Otherwise said sections shall apply to it, if it shall engage in such business."
- (17) Section 29 provides: "The operation of any unlicensed community or ambulatory currency exchange, or the unlawful conduct or operation of any licensed community or ambulatory currency exchange, is hereby declared to constitute unfair competition with licensed and legally operated currency exchanges doing business in the same community. Any licensee operating legally under this Act in the same community shall have the right to apply to any court of competent jurisdiction for and obtain an injunction restraining such unfair competition."
- (18) Section 30 provides: "If any part or provision of this Act shall be declared unconstitutional, the unconstitutionality of such part or provision shall not invalidate the constitutional provisions of this Act."
- (19) Section 2 provides: "The title of said Act is amended to read as follows: An Act in relation to the definition, licensing and regulation of community currency exchanges and ambulatory currency exchanges, and the operators and employees thereof, and to make an appropriation therefor, and to provide penalties and remedies for the violation thereof."

**PREVIOUS PUBLICATIONS ON COMMUNITY CURRENCY  
EXCHANGES LICENSED IN THE STATE OF ILLINOIS  
SINCE OCTOBER 1, 1943.**

No.	TITLE	Date of Publication
1.	Currency Exchange Law of the State of Illinois (1943 Edition).....	Oct. 1943*
2.	Currency Exchange Law of the State of Illinois (1945 Edition).....	Aug. 1945*
3.	List of Licensed Currency Exchanges as of December 31, 1945.....	Feb. 1946*
4.	Report on Licensed Currency Exchanges in the State of Illinois for the Period January 1, 1943 Through December 31, 1945.....	June 1946*
5.	List of Licensed Currency Exchanges as of December 31, 1946.....	Feb. 1947*
6.	Report on Licensed Currency Exchanges in the State of Illinois for the Period January 1, 1944 Through December 31, 1946.....	June 1947*
7.	Currency Exchange Law of the State of Illinois (1947 Edition).....	Sept. 1947*
8.	List of Licensed Currency Exchanges as of December 31, 1947.....	Jan. 1948*
9.	Report on Licensed Currency Exchanges in the State of Illinois for the Period January 1, 1945 Through December 31, 1947.....	June 1948
10.	List of Licensed Currency Exchanges as of December 31, 1948.....	Feb. 1949*
11.	Report on Licensed Currency Exchanges in the State of Illinois for the Period January 1, 1946 Through December 31, 1948.....	June 1949
12.	Currency Exchange Law of the State of Illinois (1949 Edition).....	Aug. 1949
13.	List of Licensed Currency Exchanges as of December 31, 1949.....	Feb. 1950*
14.	Report on Licensed Currency Exchanges in the State of Illinois for the Period January 1, 1947 Through December 31, 1949.....	June 1950
15.	List of Licensed Currency Exchanges as of December 31, 1950.....	Jan. 1951*
16.	Report on Licensed Currency Exchanges in the State of Illinois for the Period January 1, 1948 Through December 31, 1950.....	June 1951
17.	Currency Exchange Law of the State of Illinois (1951 Edition).....	Aug. 1951
18.	List of Licensed Currency Exchanges as of December 31, 1951.....	Jan. 1952
19.	Report on Licensed Currency Exchanges in the State of Illinois for the Period January 1, 1949 Through September 30, 1951.....	Feb. 1952
20.	List of Licensed Currency Exchanges as of December 31, 1952.....	Feb. 1953

\* Supply exhausted





[fol. 419] IN UNITED STATES DISTRICT COURT, NORTHERN  
DISTRICT OF ILLINOIS, EASTERN DIVISION

CA 530 2322

GEORGE W. DOUD, DONALD Q. McDONALD, and J. WESLEY  
CARLSON, doing business as Bondified Systems, and En-  
gene Derrick, Plaintiffs, v.

ORVILLE HODGE, Auditor of public accounts of the State of  
Illinois, Latham Castle, Attorney General of the State  
of Illinois, and John Gatknecht, State's Attorney of  
Cook County, Illinois, Defendants

STATE OF NEW YORK,  
County of New York, ss:

### Depositions of Sundry Witnesses

Depositions of sundry witnesses taken on November 16,  
1954 for use on the trial of the above-entitled cause pursu-  
ant to Stipulation between the parties hereto, before Albert  
Gerber, a duly appointed notary public of the State of New  
York, qualified and residing in New York County, held at  
the offices of American Express Company, 65 Broadway,  
Borough of Manhattan, City, County and State of New  
York:

#### APPEARANCES:

John J. Yowell, Esq., 111 W. Washington Street, Chicago  
2, Attorney for the plaintiffs.

Latham Castle, Esq., Attorney General of the State of  
Illinois, by William C. Wines, Esq., Assistant Attorney  
General of the State of Illinois, for the defendants.

[fol. 420] Hirsch E. Sobel, Esq., Field Building, 135 South  
LaSalle Street, Chicago 3, Amicus Curiae.

#### STIPULATION

It is stipulated by counsel for the respective parties  
hereto as follows:

1. That all witnesses herein will be duly sworn by the  
notary above mentioned before testifying.

2. That the signing of the depositions by the witnesses is waived by agreement of the parties and of the witnesses;

3. That objections as to relevancy and materiality may be made at the trial, but objections as to competency and form shall be made on these depositions;

4. That photostats or other true copies may be used in lieu of the original documents; and

5. That certification of registry of the notary public is waived.

Howard A. Smith of lawful age, called as a witness on behalf of the defendants, being first duly sworn by Albert Gerber, notary public, testified as follows:

Direct examination.

By Mr. Wines:

Q. Your name, Mr. Smith?

A. Howard A. Smith.

Mr. Wines: Before I examine Mr. Smith, I want the [fol. 421] record to show that it has been agreed by all parties that the Attorney General may examine the witnesses and then the Amicus Curie may examine the witnesses and the Amicus Curie does not, by participating in these examinations, assert the right of a party litigant in this case with respect to a right to appeal or otherwise.

Mr. Soble: That is correct.

Q. Mr. Smith, what if any office do you presently hold in American Express Company?

A. I am executive vice president of the company, and a director. I serve on several of the directors' committees.

Q. Would you give us your home address?

A. My home address is 231 Lotte Road, Ridgewood, New Jersey.

Q. How long have you been with the American Express Company?

A. I came with the American Express Company July 1, 1919.

Q. If you can readily recall them all, will you tell us what posts or positions you have held in that company since 1919?

performing the services we should be performing. But these are in odd times: they are inspection teams.

There is constantly in view questions concerning the necessity of maintaining some of these offices: If they move troops from this point to that point, we have to have [fol. 429] an office there, and this other office is eliminated. If necessary, a new office is opened.

That is about the picture, as I see it.

Q. When you spoke of Treasury bonds, you meant United States Treasury bonds?

A. United States Treasury bonds.

Q. In what operations does American Express Company or its subsidiaries engage in respect to local foreign currencies?

A. Do you mean at these facility offices?

Q. Local foreign currencies, in the operation that you have been describing?

A. We have also cases where—in Germany, for example—the troops will get Deut-che marks—they will bring in dollar items, we will exchange them into Deut-che marks; and, to permit our doing that on a large scale, the Treasury would keep a certain amount of Deut-che marks with us.

Q. Are those collateralized?

A. They are not collateralized.

Q. The Government then trusts you?

A. Yes, Sir.

Q. Will you describe the situation—your operations generally—with respect to the sale of travelers checks?

A. The sale of travelers checks is handled at our own offices and also through banks and agents in the United [fol. 430] States and abroad. I don't know the exact number of travelers checks selling agents, but, if I were to be asked to guess, I should say that there were probably upwards of sixteen thousand.

Q. Would you say that there are at least sixteen thousand?

A. Yes, I should say upwards of that. I am sorry, I don't have the precise figure.

Q. That is all right.

A. But these checks are sold and the settlements are sent in to us by various methods: sometimes the bank just credits an account on their own books; sometimes they send



in checks to our various offices, the offices that supply them with travelers checks.

The checks are carried all over the United States and all over the world, and they come back to us through banking channels, and we pay them.

Sometimes, in a city like Chicago, for instance, we will have local settlements there, where all checks come through the clearing house and we pay them right in Chicago; and then we bundle them up and send them to New York and in New York City they come through the clearing house and we pay them all through The Chase National Bank here; then they are transmitted to us every day; and then we continue the auditing process, running them along to their [fol. 431] files; and abroad the purchases of dollar items are sent over here by the correspondents of the foreign banks and they take them usually through the New York clearings, in that process.

Q. Will you describe the company's operations with respect to money orders?

A. The money order business is conducted through sub-agents here in the United States. Sometimes they are drugstores, sometimes supermarkets—but they could be any sort of a store; sometimes they are very small organizations, sometimes they are very substantial ones like one of the big chain stores or something of that sort. They are sold all over the United States.

Q. Could be banks?

A. Banks don't sell them in great volume. Banks usually sell their own cashiers' checks or some form of money order. Some banks sell travelers checks,—the Chase Bank in New York.

Q. I am talking about money orders.

A. Money orders?

Q. Did you say the Chase Bank sells them?

A. Yes, they sell a pretty big volume. And a lot of other banks sell smaller amounts. But they are not primarily the outlet, because they have their own forms that they push. And of course money orders are purchased by folks [fol. 432] that need that sort of financial service, usually they are folks that work pretty hard. The element of convenience enters into it, because the banks close at 2 or 3 o'clock in the afternoon, and I dare say that the volume of

money order business is done in the evenings or after banking hours, and the element of neighborhood convenience is a very big factor. But, as I say, they are sold and they find their way all over the United States.

Here, again, we have local clearing arrangements; and in a great many cities of the United States we keep substantial balances and designate some local institution to pick up all local American Express items presented there, and they are paid locally.

In Chicago, for example, they would be paid; they come through the clearings and are paid right there; they are picked up and sent to New York for eventual storage and safekeeping and auditing.

The same thing would happen in St. Louis, San Francisco, or Los Angeles.

Some money orders find their way abroad; they come back through banking channels, the same as any other dollar item, and find their way back to the United States and New York.

Q. I suppose you have a certain amount of competition in the money order business from the United States Post-[fol. 433] office, don't you?

A. They are a little big to call them your competition. They travel by themselves. They sell maybe ten or fifteen times as much as we do. We are just babies.

After all, you get into the matter of convenience again. The hours suit the convenience of the people, at the post office; and in every little community they go into the post office and get postal money orders.

Q. Now, Mr. Smith, do you know how much, in money orders and dollar volume you sold during 1953; or are you the person to ask that question of?

A. I don't believe I am the person to ask that question of.

Q. All right.

A. I probably ought to know; but I actually don't.

Q. How long has the American Express Company been selling money orders, if you know?

A. I looked that up. 1882 we started that line of business.

Q. Will you tell us how the American Express Company met the shortage of cash situation at the time of the bank holiday in 1933?

A. The bank holiday, if you will remember, was a sort of

a rolling affair. It started in several states before it began [fol. 434] came nationwide. I forget whether it was Michigan first, but it was one of the middle Western states that first had difficulty; and then I think it was Maryland that had trouble.

In Michigan we had a rather peculiar position. We were the only folks that were really doing business. The banks were closed. Our office in Detroit became the hub of financial operations.

The currency would be turned in to us in great amounts by local chain store branches, filling stations, and other national institutions that had to make remittances to their treasurers; they would buy from us dollars in return for the currency, and then mail these checks out, leaving with us a big accumulation of currency, which we kept in safe deposit vaults there, rented from some of the banks, because the banks were not open to take them as deposits.

This operation became so big we had to send special men out from New York, one of our vice presidents, and a couple of other men, to supervise its handling.

When the nationwide bank holiday was declared we had verbal permission from the Treasury Department, I think it came from Mr. Woodin, as I remember it, to stay open, because there were so many folks who had been traveling away from home that they thought it would be a sort of [fol. 435] stabilizing influence to have some provision made for them securing cash when they were so far away from home; so we had about a couple of million dollars' currency that we were able to distribute to various points around the country to service our financial paper, money orders, and travelers checks; and, as that was depleted, we got special permission from the New York Clearing House—they must have obtained it from the government authorities, and they gave us another million dollars. That kept us going. I say they gave it to us; they gave it to us against the sale of United States Government securities.

Well, this process of shipping this currency around and taking care of all of our items, went along for about a week, as I remember it; then folks began to feel that they could get money without too much trouble, so that the pressure was decreased, and the first thing you know we had more currency coming in than we required.



Q. Did you take this money around in airplanes?

A. Yes, we would ship it all over in planes. We kept regular schedules; we had telephones—we worked just out of the board room; we had these offices phoning in all the time giving us their cash positions and what it looked like. One office might accumulate an excessive amount of currency, and another office—such as Miami, being off-season, running low, then we would ship it to Miami from say St. [fol. 436] Louis, or perhaps from Denver to Los Angeles, or possibly from Chicago to St. Louis,—all that sort of thing.

Q. Do you know how much money you have on deposit in banks in Illinois?

A. Over the year I should say in the State of Illinois we have about two and a quarter million, on the average.

Q. About how many bank accounts do you have?

A. Counting even the small ones, we have a total of about fourteen bank accounts in the various communities in Illinois.

Mr. Soble: May the record show that I am interrogating the witness as Amicus Curiae?

#### Examination.

By Mr. Soble:

Q. Mr. Smith, I don't know whether Mr. Wines asked you your age.

A. Sixty-six.

Q. Where is your office located?

A. 65 Broadway.

Q. What is 65 Broadway the address of?

A. It is the head office of the American Express Company. It is one of our several buildings in New York City where we house our operations.

[fol. 437] Q. How many floors of this building, 65 Broadway, are occupied by the American Express Company?

A. My guess would be about twelve.

Q. How long has the American Express Company occupied these quarters at 65 Broadway?

A. This building is I think the second or third building on this site. This building was started, I believe, in 1914; but before that there was another American Express building at 65 Broadway.

Mr. Yowell: What is the date of the last amendment?

1950.

Mr. Solter: As amended and adopted November 21, 1950. Marked Defendants' Exhibit 2 for Identification.

Mr. Wines: I also ask to have identified as Defendants' Exhibit 3 a statement prepared for and certified as having been filed with the County Clerk and Clerk of the Supreme Court of New York, of the American Express Company, [fol. 124] bearing date January 11, 1954.

Marked Defendants' Exhibit 3 for Identification.

Q. Mr. Smith, will you state the connection between American Express Company, Incorporated and American Express Company?

A. American Express Company, Incorporated, is a wholly owned subsidiary of American Express Company, all of its shares except the qualifying shares of directors being owned by American Express Company.

American Express Company, Incorporated, conducts primarily the foreign operations of the company, but it maintains an agency in the State of New York and is licensed by the New York State Banking Department.

Q. And it engages in the banking business, does it?

A. It engages in banking operations that you could loosely define as the operations of the foreign department of the ordinary commercial bank. It does not accept local deposits in the State of New York.

Q. Will you tell us something, as of the year 1939, as to the extent of the foreign operations of American Express Company and its subsidiary?

A. Foreign operations, sir?

Q. Foreign operations, if you please.

A. From 1939, world-wide, the company had 121 offices, [fol. 125] of which 63 were in the United States.

Q. You can include them in it; that will simplify it.

A. 63 in the United States, and 58 abroad.

And, in 1939 we had about 4,200 correspondents all over the world to whom we entrusted business.

We had subagencies and other outlets of about 30,000.

And, in 1939 we had about 2,719 employees, of whom 1,332 were in the United States, so that that meant almost 1,400 abroad.

is since 1919. The Field Warehousing Company was only started after the war; that is a more recent organization.

Q. You were asked a question with reference to the number of offices, suboffices and service points that the American Express Company operates.

A. We are getting into a problem of terminology there. I have answered several questions on the number of correspondents, subagencies, and other outlets we have. There was a total of 61,900 in 1953.

Q. What was that number in 1939? Do you have that information?

A. About half of that number, I would say.

Q. What was it in 1942?

A. I do not have that; but I should think that it was more than 20,000.

Q. With reference to your suboffices and service points that you operate, how many did you operate in 1953?

A. In 1953, worldwide—these are American Express offices?

Q. Yes.

[fol. 450] A. 309, all over the world. And, of those, 63 were in the United States.

Q. The number that you operated in 1939?

A. In 1939 we had, worldwide, 121, with 63 in the United States.

Q. How about 1942?

A. The nearest I can give you is '44, the top of the war period. We had 50 offices, worldwide, of which 34 were in the United States.

Q. With reference to correspondents, how many correspondents did you have in 1939?

A. About four thousand.

Q. How many did you have in 1942?

Mr. Yowell: Foreign correspondents?

Mr. Soble: Just correspondents.

A. My guess is we probably had about 2500 in 1942.

Q. Is that just a guess?

A. My estimate.

Q. Your estimate. How about 1953?

A. 4200.



We had foreign offices which covered a great many countries. We had offices in The Argentine, Austria, Belgium, Brazil, Canada, Cuba, Denmark, Egypt, England, France, Germany, Hong Kong, India, Ireland, Italy, Mexico, The Netherlands, Philippines, Scotland, Singapore, Switzerland; those were the foreign countries in which we were represented.

Then we had about 26 offices in the United States.

That was, roughly, the scope of the operation. In these offices we would handle the world-wide travel service, the sale and servicing of travelers checks, also American Express money orders, foreign remittances. We handled import and export shipments. Then we were foreign representatives of The New York Central Railroad; we were their general foreign freight agents and passenger agents. [fol. 426] I think that, roughly, is just in skeletonized form the operations and the organization.

Q. All right.

In 1939 was the American Express Company, or was any subsidiary of that company, a depository of United States Government funds?

A. Actually in the year 1939 it is difficult for me to recall that. I know we were a United States depository or a depository of the United States Treasury Department in Paris in 1933 or 1932, or in there somewhere, in the early 30s; and I think our designation as a depository continued over the years. But, whether there was an active account there in 1939, I could not really say.

Q. You were, however, a designated depository?

A. Yes, we were.

Q. And had been before the outbreak of hostilities?

A. Yes, we were.

Q. And have been since the cessation of hostilities?

A. Well, when hostilities ceased we started, at the request of the Army, a service of handling leave tours for the troops. Combat troops were brought to the Riviera and other places in Europe; we organized the hotel service and the sight seeing service; and that extended into an all-around service to the Armed Forces, and, with that extension, we were designated as a United States depository in [fol. 427] a number of foreign countries because we handled the accounts of the disbursing officers and the accounts of

the Treasurer of the United States in countries such as England, Germany, France, North Africa, Trieste; in Okinawa we had an establishment; and in Japan we had a number of offices serving the Armed Forces, with the designation of United States depository.

Q. During the years that you have spoken of—and, if there have been any changes that you care to mention, please mention them—under what measure or degree of surveillance have you been placed by the United States Government with respect to being a depository of government funds; and what if any security have you been required to provide and have you provided with respect to those funds?

A. Going at it in reverse; we were required by law to maintain, with the Federal Reserve Bank, United States Government securities that are equivalent in United States dollar funds to those funds that would be deposited at these various depositories—they are collateralized. We have at the Federal Reserve Bank in New York Government bonds to offset these deposits dollar for dollar. That is the security end of it.

Then on the surveillance, that would probably be of two types. There is first the fact that we submit to the Treasury periodically a report of the expenses and revenue of [fol. 428] all of these operations; and that, in turn, ties into another provision—this is getting a little complex, but I will try to keep it simple. These offices are facility offices. The arrangement is that we will keep a record of the expenses and the revenues. The Armed Services, with the Treasury, allot to us 2 percent bonds the interest on which is to cover any excess between the expenses and the revenue. If the revenue becomes in excess of the expenses, then they reduce the amount of the 2 percent bonds; so that that is variable, that part.

These reports that come in and which are submitted to the Treasury for review, are studied; as to the revenue and expenses, they sometimes question items; and then it is a question of adjustment and discussion with them.

Over and above that, the Armed Forces and the Treasury send out occasional inspection teams that travel around to the offices, and they see what we are doing; whether we are

A. They have always had one since I have been with the company.

Q. How long has it been that they have had two places of business in Chicago, Illinois?

A. The recent cycle is probably a matter of six years; but going back from there, when I was first with the company, I think we had two offices then, one on Monroe Street, and one on Michigan Boulevard. But then there was another cycle where we just had one on Michigan Boulevard.

Q. Did you have any offices outside of the City of Chicago and in the State of Illinois?

A. No; no others. But we do have a fairly good operation [fol. 453] in Marshall Field's in Chicago; we have a little branch office—that I should have added to one of my answers. I omitted it.

Q. How long have you had that office in Marshall Field & Company?

A. I should say for more than twenty-five years.

Q. Has it been there during the last twenty-five years?

A. Yes.

Q. What kind of business do you conduct in that office?

A. It is essentially a travel office. Folks come up to get information about tours, and buy tickets. But we also sell money orders there; and we also sell travelers checks.

Q. Could you tell us how many employees you have in the city of Chicago, that is, direct employees who are paid salaries by the American Express Company—or wages?

A. I am not in a position to do anything but to estimate that. My estimate would be around 200.

Q. As questions have been asked you with reference to offices, suboffices, and agencies and subagencies, is there a distinction between them; and, if there is, will you tell us the difference between an office and a suboffice?

A. An office, for example in Chicago, would be our office [fol. 454] on LaSalle Street or our office on Michigan Boulevard; but the suboffice would be the Marshall Field operation.

Q. What is the difference?

A. The difference basically would be whether it would be a contained unit; whether there is an accounting setup, or



whether it simply reports its operations into another controlling unit, and is under the supervision of a manager of another unit.

Q. Under whose supervision is your Marshall Field & Company office?

A. That would be under the supervision of a man named Bateman, who is sort of senior man in Chicago.

Q. In Chicago, where is he located?

A. Michigan Boulevard.

Q. At the Michigan Boulevard office?

A. Yes. We have two men in Chicago, really. We also have Zane Sandom; and he is rated as district manager. Bateman is our specialist on travel; he has sort of over-all responsibility for the development of our travel business in the Chicago area.

Sandom is an all-around man; mostly on the financial side.

Q. Does the Michigan Boulevard office have its own set of operating books? You made that distinction; I [fol. 455] gather.

A. Yes, it would have.

Q. How about the LaSalle Street office?

A. That would have its own.

Q. What is the difference between an agency and a sub-agency?

A. To be honest with you I don't think there is any difference. I think that these are colloquialisms that have crept up over a hundred years of operation,—probably going back to the old express business.

Q. When you talk about a correspondent, what are the duties of a correspondent?

A. They vary.

You might have a travel correspondent who might be the fellow with a cruise ship who makes all arrangements to conduct travelers on sight-seeing trips around—or who might just handle an individual traveler, of course, and accord the same services, who does business for us, who represents us; and reciprocally we will take care of his customers if they come here. There are usually agreed-upon scales of division of any earnings,—some of them he does without charge to us but picks up earnings for him-

self; others we would pay him for his services where he didn't have an opportunity to pick up any money. And it would be the other way with us.

[fol. 456] A banking correspondent, we might draw drafts on them; if some person wanted to pay money we might draw a draft on that bank and they would honor it. Of course we have an arrangement with them so that they would recover their funds either way, debiting the American Express in London or debiting the Chase Bank in New York. We would have that all set up as to what suited their financial arrangement.

Then we would have freight correspondents. If we were sending a shipment to Casa Blanca of some goods, an automobile or something like that, we would ask them to handle the custom clearances or things like that; and, again, there would be a treaty as to the division of earnings.

Something of that kind will give you the "correspondent" angle. They usually have in their signs—under their own name they would have "Correspondent of American Express Company."

Q. State whether or not your company has any operations with reference to customs and clearances.

A. Yes, we have very substantial operations now.

Q. Under what companies or subsidiaries is that?

A. That is the American Express Company itself.

Q. State what the nature of that is.

A. It is one of our traffic operations.

[fol. 457] Q. State what it is.

A. The operations there would be that when folks handling shipments say to England are involved we would arrange to book the space on the steamers for them or even ship by air if they preferred that.

We would arrange to have our offices at the port of entry clear the goods through customs there and arrange for delivery to the ultimate consignee.

The reverse would be true with respect to shipments coming in from Europe to the United States,—whiskies, etc. from England; we handle the clearance here and arrange for it being transported by the different railroads.

We have a lot of shipments that come directly into Chi-

eng, for example, that are cleared through the customs offices in Chicago and then distributed.

Some of the big stores send their buyers abroad to buy in the different markets; we arrange to pick up their purchases and deliver them, under their directions, to the stores in this country.

Q. How long have you engaged in that operation?

A. That is traditional. That is one of our oldest operations. That began way back before my time.

Q. It has continued since that time?

A. It has continued since that time, yes.

[fol. 458] Q. In order that we might have the record straight on this, can you tell us what the operations are and were of American Express Company, Incorporated, and the operations of American Express Company, and what they were and are?

A. The American Express Company, Incorporated, is primarily set up to handle the foreign operations of the company—or, rather, the operations in foreign countries.

The American Express Company handles the operations in the United States of America.

The basic reason I believe is that in registering in these different countries they don't recognize a form of operation of a joint stock association; we had to have corporation to facilitate registration in all these different laws in all these different countries.

The business of the express company does not hit into these commercial banking operations such as the incorporated company handles.

In this country we don't handle any deposits in the express company. We do the operations of travel, travelers checks, money orders, foreign remittances, foreign shipping,—those are our basic operations.

Q. When you say "our basic operations," you mean of what company?

[fol. 459] A. The American Express Company.

The incorporated company does all of those things, plus commercial banking.

Q. The corporation—that is, the American Express Company, Incorporated—does all of those things where?

A. Abroad, and in New York City.



In New York City we have what is called the American Express Company, Incorporated, New York Agency. This New York Agency is licensed by the Banking Department of the State of New York, and examined by the Banking Department of the State of New York.

Q. This examination of the Banking Department relates to what?

A. The operation in New York City of the New York Agency of the American Express Company, Incorporated.

Q. With reference to the sale of domestic money orders specifically in the State of Illinois, can you tell us how that operates in Illinois so far as it is conducted by the American Express Company?

A. We have an arrangement in the State of Illinois with various sales outlets—all sorts of small stores, supermarkets, chain stores, some banks—to sell American Express money orders. We stock them—

Q. What do you mean—"We stock them—"

A. We supply them with forms of these money orders. [fol. 460] We get a trust receipt for the money orders.

We have terms for the settlement of the money orders which normally include a visit by our collector to pick up the proceeds of sales and to check the books to see if the proceeds picked up represent what the actual sales were.

Q. How often does the collector come around?

A. It varies according to the territorial limitations and according to the time element it takes to cover these fellows, plus the credit responsibility of these people.

In some cases it will be a matter of maybe six days. In another case it will be once every fourteen days. There is a variable there. In the case of the big supermarkets, the branches might just settle their sales with the head office.

Q. Pardon me; I did not get that.

A. The branches might settle their sales into the head office and the head office might just deposit the funds to our credit in a bank account there in the local town, and then our man would come along and pick up the accounting end of the statements and check it against the deposit slips, and that would be the whole operation there.

These money orders as they are sold of course are carried out into the various communities; sometimes they are

Q. How long did the American Express Company occupy that prior building?

A. I really can't say.

Q. That was before your time? You might state who is the owner of this building at 65 Broadway.

A. The American Express Company is the owner.

Q. What other quarters are occupied by the American Express Company in New York City?

A. We own a building on Hudson Street. I think the number is 55; it is about an eight-story building. We have I should say five or six hundred employees up there. It is where we do a lot of processing work in connection with money orders and travelers check business; where we have this big volume of paper coming in that has to find its way to the eventual filing places.

Q. That office in Hudson Street is in New York City?

[fol. 438] A. That office in Hudson is in New York City.

Q. How long has the American Express Company occupied the quarters in that building, so far as you know?

A. They have owned the building a good many years. This is sheer guesswork. My guess would be for more than thirty-five years. I have been around thirty-five. It is longer than that.

Q. Have they occupied those quarters during the time that you were connected with the American Express Company?

A. Yes. They at times leased out part of the quarters; they have not occupied it completely. We have had the United States Rubber Company in there for awhile; and other tenants. But, as our business expanded, we have occupied it completely within the last eight or ten years, or something like that.

Q. Did you occupy those quarters in 1941?

A. I think not.

Q. Did you occupy the quarters in this building at 65 Broadway in 1941?

A. Oh, yes.

Q. How many employees did you have here in this building in the year 1939?

A. May I try to work that out by telling you our total number of employees in 1939 were, worldwide, 2719; in [fol. 439] the United States we had 1300. In my judgment,

we probably had 1000 in this building, or other New York offices such as our Fifth Avenue office and the building across the street.

Q. Can you give us the figures of the number of your employees, both over the world, and coming down to the city here, for the year 1941?

A. I can give them to you for 1942.

Q. Give them to us for 1942.

A. As against 2719 worldwide, in 1939, we came down to 1417 worldwide, of which 1175 were in the United States; leaving less than 300 abroad.

Q. In 1943 the figures were roughly the same?

A. In 1953 our worldwide staff totaled 7766, and we had 3600 in the United States.

Q. How many in New York City? Does that appear?

A. I guess pretty close to 2800. But I am guessing on that. I think it is within range.

Q. Can you give us the range that you are not guessing about? We would rather not have a guess, if you can give us the testimony within a certain range of employees.

A. Oh, I would say between 2000 and 2800—if that is not too wide.

Q. Can you tell us why there was a shrinkage in the number of your employees which appears in 1941, and during [fol. 440] next year, say 1942-1943?

A. 1942-1943? 1939 we started; then we shrank to half that number.

Q. Will you state what occurred then?

A. In September 1939 Hitler moved on Poland, and we had the successive periods of the phoney war; then again early in 1940 he started to move on the Scandinavian countries; then later on the Western European countries; and our operations had to be curtailed.

Finally along about 1943 the United States Government suppressed the German Library Service and the German Information Service, having offices in the United States, on the ground that they were simply propaganda and information units; then Hitler turned around and seized upon the American Express Company as an American organization that he could punish, so he told us to liquidate, and we got out of all of the countries that he occupied.

We were chased out of these European countries by Hitler



in retaliation for what the United States had done to the German Library Service and the German Information Service in this country.

Q. In 1941, then, what foreign offices did your company maintain abroad?

A. In 1941 we had offices in Switzerland; we had an office in India; we had offices in Canada, and Mexico; we [fol. 441] had Egypt; we had of course the offices in England and in Scotland.

For awhile we had some offices in Southern France—because Hitler did not take over the entire country; they left part of it; and until actually the war opened, after Pearl Harbor, then they swept down and occupied the whole, the entire country. And then we were completely out of France. But we had not too many when Pearl Harbor happened.

Q. With the cessation of hostilities, in 1945, what happened with reference to the re-installation of your offices abroad?

A. The first step was when I was called down to a meeting in the office of the Secretary of War with representatives of other New York institutions who had had offices in Paris; other folks were down there from Morgan's, the National City, the Chase, the Guaranty,—and ourselves.

I think Mr. McCloy was then Under Secretary of War. Mr. Stimson did not come to the meeting; but Mr. McCloy handled it. He told us they had had advice from General Eisenhower that now that Paris was in the possession of the Allies, it was his view that it would be a good thing to get the American institutions back there as a sort of tonic to the situation and also to perform services. So they asked that we each have a representative prepare to immediately—within a matter of a week or ten days—go over there in response to the request from General Eisenhower; and each of these institutions did have a representative go back there.

While our office at that time quickly became the Red Cross Headquarters for the rehabilitation of troops coming back from the battlefields, we managed to steal some space under the balcony, and we started to resume operations; that was the beginning.

Q. What year was that?

A. That must have been along about 1945, I should think. It may have been after that. It was about four months after D-day. D-day was June 6, 1944—I guess it was 1944, the end of 1944.

Q. After 1944 what did the American Express Company and its subsidiaries do with reference to re-instituting its offices abroad?

A. This was the genesis of it. Then quickly they started leaving with combat troops down to the South of France; when those areas were recaptured then those offices in South of France were reopened.

Then, in the case of Italy, we opened those offices.

We had had the English offices open all the time.

Very quickly, as Belgium and Holland were liberated, those offices reopened.

[fol. 443] Because all of our staffs had been in these countries and had been sort of helping watch over our interests there during the war period, they really opened up rather fast—even if they were modest operations, they were open, at least they had the kernel of the thing; and, as business requirements expanded, then they were able to expand too.

Q. What year would you say you re-instituted your full complement of offices abroad?

A. Oh, it must have been pretty close to 1948 before we had the pretty representative group again—1948 or 1949.

Q. And that has continued down to date?

A. Yes, sir.

Q. Did I ask you as to the number of employees you have in this building at 65 Broadway?

A. Yes, you did.

Q. Are there any other places of business of the American Express Company in the City of New York?

A. Yes.

We have this Trinity Place Building, right across the street, which is about a 6-story building. We have owned that for a good many years. Then when they merged the express companies that become the property of the American Express Agency, and then we leased that from them, [fol. 444] but we occupy that building.

Q. How many floors are there in that building?

A. There are about six floors.

Q. How long have you occupied that building?

A. Eight years, I would say.

Q. How many employees do you have there now, approximately? —

A. About 400, I would say.

Q. Any other places of business?

A. We have an office on Fifth Avenue, which occupies several floors. That is a very de luxe travel office, which handles a tremendous volume of travel business, — practically our biggest, from point of volume.

Q. Near what street is that, on Fifth Avenue?

A. That is around the 50s, on the east side.

Q. How long have you had that office?

A. I should say six years before the war, sir.

Q. With reference to the year 1939, could you tell us about the amount of the deposits you have had in the Illinois banks?

A. Factually, I should have to guess on that.

Q. I do not want a guess.

A. How about an informed estimate?

Q. An informed estimate.

A. I would say it was not greatly different from the [fol. 445] amount we have today.

Q. How about the deposits in the Illinois banks in the year 1941?

A. I doubt if they ever got below a million and a half dollars.

Q. That is the aggregate amount of deposits?

A. The aggregate amount in all those banks in Illinois.

Q. Those banks in Illinois: how many of them are located in the city of Chicago?

A. Nine of them.

Q. Would you feel free to give us their names?

A. Yes.

Q. Would you do that, please?

A. First National, Harris Trust & Savings, Northern Trust Company, Uptown National Bank, American National Bank & Trust, Continental-Illinois, City National Bank & Trust, Drexel National Bank, Michigan Avenue National Bank.

Q. Do you have any deposits in banks outside of Chicago, in Illinois?



A. We have a deposit in Peoria, and a deposit in Danville.

Q. How long have you had deposits in Peoria?

A. I cannot say.

[Vol. 446.] Q. How long have you had deposits in Danville?

A. I cannot answer that, either.

Q. Would you feel free to tell us the names of the banks in Peoria and in Danville?

Mr. Whies: Why don't you withdraw that, Hirsch?

The Witness: May I say something off the record? Or is everything on the record? If so, I will not say anything else.

Q. You don't feel free to tell us the names of those banks: is that it?

A. The names of those banks are the Commercial National Bank of Peoria, and the bank in Danville is the First National Bank of Danville.

Q. Outside of the American Express Company, Incorporated, does the American Express Company own any other subsidiaries?

A. That is right; we have for example the American Express Field Warehousing Corporation, which works with banks all over the country. It has an office in Chicago.

Q. How long have you owned that subsidiary?

A. Ten years.

Q. Can you give us some more names of subsidiaries?

A. We have subsidiaries, for example, that operate our business in the Scandinavian countries.

Q. All right. What is the name of that subsidiary?

[Vol. 447.] A. They are American Express—with the local national equivalent of "incorporated" after the name.

Q. In other words, they are incorporated under the laws of the various countries.

A. Yes. The American Express Company S.A. operates all of our activities in Italy.

Then we have a majority interest in Wells Fargo & Company, which operates several businesses. They have an operation in Mexico, in Cuba, and the Wells Fargo Armoured Service Company in New York.

Q. What is the nature of the business of the Wells Fargo company?

A. The business in Mexico is really a merchandising

business. They perform a very substantial job in distributing agricultural equipment in Mexico, including all the Deere company's line.

Q. Deere & Company?

A. Yes. They are their agent in Mexico. They represent American manufacturers; on irrigation equipment, pumps and pipes, etc.

Q. Do they buy this equipment and sell it?

A. Yes; they are merchandisers.

They also operate a travel business down there.

Q. What else does Wells Fargo & Company do?

A. That is the Mexican operation.

[fol. 448]. The Cuban operation is on a small scale; some of this merchandise business, and they also handle a certain amount of forwarding business.

In New York they have the armored service corporation, which is a service of armored cars; they have a pretty substantial fleet; they service some of the banks, such as the National banks,—Corn Exchange; a good many of the construction companies use them for payroll purposes; a regular armored service. That is the bulk of their business.

Q. Are there any other subsidiaries of the American Express Company?

A. You might do better with the Secretary, on that.

Q. Do you know how long the American Express Company has had this interest in Wells Fargo & Company; or have they had it during the time you have been connected with the company?

A. Yes. They have had it I should say since 1919,—back in there somewhere.

Q. That is at least from the time you became connected with the company?

A. Yes, that is right.

Q. How about these other subsidiaries?

A. Some of them are not as old as the Wells Fargo connection; but we have also always had this interest in the [fol. 449] SAI company, the Italian company, and these other foreign companies. We have always had those interests.

Q. For how long back, do you know that?

A. As far back as I have been with the company. That

X Q. Let us take for instance Bondified. Can you recall in what states they operate the same as you do, as I have described?

A. I should say the State of Minnesota.

X Q. Minnesota, yes. Any others?

A. I believe Ohio; Missouri; and Texas.

[fol. 471] X Q. California?

A. I have heard other names in California. I am not sure that I have heard Bondified.

X Q. There are other states, aren't there?

A. Oh, yes.

X Q. In addition to what you have mentioned?

A. Yes. I don't just have them in mind.

X Q. In those states Bondified Systems is in competition with American Express Company, is it not, in the particular business of selling money orders?

A. Yes.

X Q. Mr. Smith, there is a real economic need for this business, isn't there—for this service? I think you touched on it particularly in large centers of population where people don't have bank accounts and they don't want to send money through the mails and they want to send small remittances?

Mr. Wines: I object to this, as calling for a conclusion; but go ahead and answer it.

X Q. There is a demand or a need, an economic need for this character of service, generally speaking, isn't there?

Mr. Soble: I object to that as calling for a conclusion of the witness, and as exceeding the scope of the examination.

A. We have found it so in our experience.

[fol. 472] X Q. You have found it so in your experience?

A. Yes.

X Q. Could you tell us, Mr. Smith, approximately the amount of business of American Express Company in the State of Illinois let's say during 1953?

A. No, I do not have that.

X Q. That business, I take it, consists of various different activities, as I understood your direct testimony. First of all, you are in the travel business?



A. Yes.

X Q. Do you derive any revenue from that?

A. Yes, sir.

X Q. In what way?

A. We get commissions from the airlines and the steamship companies on passengers we book over either one of them. We get commissions from the railroad companies on excursions we book around the country, starting in Chicago; and then if we arrange a complete trip for a person and start them out in advance with all the coupons necessary and meet them wherever they want us to, we charge a service fee on that. So that we have revenue from all those sources in connection with travel operations.

X Q. In your statements and reports, where you do file reports, would that source of income be designated as transportation income?

[fol. 473] A. I am not familiar with the reports in detail as filed.

X Q. You are engaged in the express business in the State of New York, aren't you?

A. Yes.

X Q. Don't you have an arrangement with some railroad in New York?

A. Yes.

X Q. What railroad is that?

A. I think the Secretary will answer that question better than I can. I remember one was the Skaneateles Railroad. I forget the names of the others. There are several of them.

X Q. Are you familiar with the exemption that was in the Missouri law that anyone who had a contract with a railroad for express was exempt?

Mr. Wines: Exempt from what?

Mr. Yowell: Exempt from the operation of the statute and any requirement to comply with the banking law—the banking statute of the State of Missouri.

Mr. Wines: I don't know about it.

Mr. Yowell: I am sure you don't. I didn't know until recently.

Q. 4200?

A. Yes, sir.

Q. How many subagencies and other outlets did you have in 1939?

A. About 30,000.

[fol. 451] Q. How many in 1942?

A. I would say about 20,000.

Q. How many in 1953?

A. About 62,000.

Q. How many employees did your company have in 1939?

A. 2719.

Q. How many in 1942?

A. 1417.

Q. How many in 1953?

A. 7766.

Q. State whether or not you have any place of business in the city of Chicago that is operated by the American Express Company?

A. Yes, we do.

Q. Do you know where that is located there?

A. Michigan Boulevard is one. LaSalle Street is another.

Q. Do you know how large your operation is there in Chicago?

A. We have a ground floor office.

Q. Where is that?

A. On Michigan Boulevard. And upstairs we occupy a whole floor of additional service people.

Q. Where is that on Michigan Boulevard, or approximately where is that?

[fol. 452] A. It is down near the University Club there; I forget the number.

Q. Where is the one on LaSalle Street?

A. I don't know the number of that, sir.

Q. Do you know what building it is located in?

A. No. It is a travel service office. It is doing a good big volume of business. We increased the premises within the last few years, so that it is progressing.

Q. How long have you had a place of business in Chicago, Illinois, as far as you know,—that is within your time?

A. I am not conversant with the Missouri law.

X Q. You don't know anything about that?

[fol. 474] A. No, sir.

X Q. I believe you did say that you are in competition with Bondified in Missouri.

A. I believe so.

X Q. Do you operate any express business in the State of Illinois?

A. I can't answer that. I don't know.

X Q. You have some assistants here. Do you suppose you could find that out?

The question is, Does American Express Company operate an express business in the shipping of packages, et cetera, in the State of Illinois.

Mr. Norman Page: In the State of Illinois, no.

Mr. Yowell: Would you adopt that as your answer?

The Witness: I will adopt that answer.

Mr. Soble: May the record show that the person who talked was Mr. Page, who is the Secretary of American Express Company: is that right, Mr. Page?

Mr. Page: Yes.

Mr. Soble: What is your first name, Mr. Page?

Mr. Page: My name is Norman Page.

X Q. Do you have a license in the State of Illinois to sell foreign exchange?

A. My recollection is that we do have a license.

X Q. When you say "we," do you mean the American [fol. 475] Express Company?

A. The American Express Company.

X Q. Or the New York Agent—

A. The American Express Company.

X Q. Not American Express Company, Incorporated?

A. My recollection would be that it would be American Express Company.

X Q. I thought you said that American Express Company, Incorporated, was the one that dealt in foreign exchange.

A. Foreign business; foreign operations. The American Express Company does foreign remittance business all over the United States.



X Q. Does American Express Company have any license or authority from the State of Illinois to engage in the business of selling money orders?

A. My recollection is that it has.

X Q. What license do they have, according to your recollection?

A. I can't define it in detail. It is just my impression that we have one.

X Q. Does American Express Company have a license to do business—

Mr. Wines: I am going to move to strike out the "impression". If it is a recollection, that is one thing; but, if it is [fol. 476] an "impression" that is another thing.

X Q. Is it a recollection, or an impression? Is it your best recollection?

A. Yes, I would say it is my best recollection.

Mr. Yowell: All right: we will deny your motion.

X Q. Does American Express Company have a license to do business as a corporation, or otherwise, in the State of Illinois?

Mr. Soble: I object to that question, on the ground that it exceeds the scope of the examination on direct, and calls for a conclusion of the witness; also on the ground that the question itself is difficult to understand because the question asks whether American Express Company—which is not "a corporation", has a license to do business as a corporation in the State of Illinois.

Mr. Yowell: "Or otherwise", the question was.

Mr. Wines: I will object on another ground; and that is that, if it has such a license, the license would be the best evidence—or a certified copy of it.

Mr. Yowell: If there is no license, what would be the best evidence, Mr. Attorney General? That is what I want to know.

\* We are in the office of the American Express Company, examining the executive vice president. I am asking the [fol. 477] simple question whether the American Express Company has a license to do business in the State of Illinois.

Mr. Wines: You have asked your question; and I do not mind his answering it. I am not requesting that he do not answer it.

Mr. Yowell: ~~Give us your~~ best recollection, Mr. Smith.

A. I would assume so.

Mr. Wines: I move to strike that answer.

Mr. Yowell: All right.

Mr. Wines: If he has a recollection—

X Q. Do you have records in your office here of the various places in which American Express Company has a license to do business?

A. I have no first hand knowledge. I would assume we have.

Mr. Wines: I move to strike that out.

X Q. Well, would you be good enough, Mr. Smith, to have someone connected with your organization check and let us know, after lunch, what if any records you have of a license from the State of Illinois, to do money order business in the State of Illinois?

A. I will see what I can develop for you, yes.

X Q. Thank you, sir.

[fol. 478] Are you familiar with American Express Company, Inc., of Illinois, a corporation?

A. Yes, I am familiar with that.

X Q. That corporation was not organized, was it, in 1943, let's say?

A. The exact year I don't remember. I remember it was formed relatively recently.

X Q. If I may I would like to refresh your recollection by showing you a certified copy of the Articles of Incorporation.

A. (Paper examined.) Yes, sir; I have read it.

X Q. What was the date?

A. 1945.

X Q. Yes, sir.

A. September, 1945.

X Q. That corporation was organized in the State of Illinois in 1945 for the purpose of forwarding parcels, packages, merchandise and goods of all descriptions, between

cities, towns, and other places, in various parts of the world; is that right?

A. That is what the man says.

X Q. That is what the *document* says, is it not?

A. That is what the document says.

X Q. And it was organized for \$1,000; is that right?

A. That is right.

[fol. 479] X Q. That corporation has never engaged in any business, has it?

A. I can't answer that. I don't know.

X Q. That does not come within the scope of your duties as executive vice president of American Express Company?

A. No.

X Q. What is this American Express Company, Inc., of Illinois, if you know?

Mr. Wines: I object to that, on the ground that nobody can understand it. It is a corporation. If you mean what does it do—

Mr. Yowell: Yes.

Mr. Wines: —or what business does it engage in—

Mr. Yowell: Yes.

Mr. Wines: —that is something else again.

Mr. Yowell: That is what I mean.

X Q. I will adopt his elaboration, Mr. Smith: what does it do; what is its function?

A. I don't remember.

X Q. American Express Company is not a corporation, is it?

A. It is not.

X Q. It is a voluntary association of individuals; is that right?

Mr. Wines: I object to that question, on the ground that [fol. 480] it is ambiguous. I don't understand it, myself.

If Mr. Yowell means "unincorporated association," that is one thing.

"Voluntary association" has a technical meaning in the law of Illinois that the witness may not know.

Mr. Yowell: I will withdraw the question, Counsel.



X Q. Mr. Smith, I show you a photostatic copy of the Report of American Express Company filed in the State of Wisconsin, for the calendar year 1948.

I call your attention to the description, "American Express Company. See Note A attached";

I refer to "Note A attached," which states:

"This company is not a corporation, but a voluntary association of individuals organized under Articles of Agreement between its members."

Could you explain what that means?

Mr. Wines: I object to that, as calling for a conclusion.

A. No—I don't feel that on questions of this type I am qualified to get into legal matters.

X Q. I don't want to get into a legal argument, either.

A. I can talk about operations.

X Q. But it is not a legal corporation, is it?

A. No.

(There was discussion off the record.)

Recess taken until 2 o'clock p. m.

[Vol. 481]

After Recess

Continuation of the Cross-examination of HOWARD A. SMITH.

By Mr. Yowell:

X Q. Mr. Smith, this morning we were talking about whether or not American Express Company is licensed to do business in the State of Illinois.

Did you get any information about that?

A. I have received no information, developed no information, that there is a specific license.

X Q. Can't you go a little further than that and say that Mr. Page informs you that you do not have a license?

A. Yes, I would say that.

X Q. That is fine.

Mr. Smith, American Express Company does have a license to do business in the State of Wisconsin, for example, doesn't it?

Mr. Soble: I object.

Mr. Wines: I object. I can't understand—What kind of license, to do what kind of business?

I am not being frivolous.

It might be simply qualified as a corporation: it might have some license to sell travelers checks or money orders or conduct a travel service under some statute—which is [fol. 482] not referred to.

I would really like to know what you are asking about.

Mr. Yowell: I appreciate your soliloquy. But I am asking what is the fact:—They either have, or haven't.

You may not understand it.

My information is that they do have; and I am asking him if he knows whether they do have a license in the State of Wisconsin.

A. I don't know, of my own knowledge.

Mr. Yowell: Oh, he does not know.

X Q. In your money order operations you have a certain scale of charges, don't you, Mr. Smith?

A. Yes, sir.

X Q. Is that a 5-cent charge for money orders from 1 cent up to \$1; is that one of the rates?

A. Yes, sir.

X Q. And from \$1.01 to \$5, is the charge 10 cents?

Mr. Yowell: Off the record.

(There was discussion off the record.)

X Q. Maybe I could ask you this question, Mr. Smith: Would you say that the average amount received for money orders is approximately 5 cents?

A. The average received from the public?

[fol. 483] X Q. Yes.

A. I would say it was nearer 15 cents.

X Q. You testified this morning about the number of agents you have in the State of Illinois. A. I recall it, that was thirteen hundred some odd; is that right?

[fol. 461] mailed to far away places; sometimes they are used just to pay local bills. They find their way back through the clearings to either our Chicago clearings, where they are paid there; or, if they come to New York, we pay them here.

Q. What determines whether they come through the Chicago office or through the New York office?

A. Well, a fellow say in Danville may be buying a bill from Sears Roebuck and he might send that; the firm might just deposit it in their account in Danville; and that would just flow probably through their Chicago correspondent. On the other hand; if the fellow was buying something from Brooks Brothers in New York and sent the money order to New York and Brooks Brothers would deposit it say in the Chase Bank, then the Chase Bank would present it to us here.

It would all depend on where the payment is made.

Q. Is there any limitation upon the amounts of these money orders?

A. Yes. The maximum amount we issue one money order for is \$100. Of course, a man might purchase a number of \$100 money orders.

Q. And you permit the sale of any number of \$100 money orders to one individual at the same time?

A. Yes.

[fol. 462] Q. These collectors that you talk about in the State of Illinois, what offices do they emanate from?

A. I think it is the Tenth Floor of the Michigan Boulevard building.

Q. State where the collectors come from with reference to any agency, subagency or suboffice, or whatever it is you have, outside of the city of Chicago, where the collectors emanate from.

A. In Illinois, they all come out of Chicago.

Q. They all come out of Chicago?

A. Yes, sir.

Q. And go throughout the State?

A. Yes.

One fellow might travel down through the State for a couple of weeks, making remittances as he gets them. He might come in and take in cash, and buy a bank draft and



A. Yes, sir. 1352.

X Q. A considerable number of those are American Railway Express?

A. 288.

X Q. How many?

A. 288.

X Q. What is the relationship between the American Express Company and the American Railway Express Company?

A. We have a contract with them whereby they sell our services, with a division of the charges.

X Q. They are an agent just like any other agent?

A. Yes.

X Q. The two corporations are not in any way connected?

A. There is no connection.

X Q. As a matter of fact, many of those American Railway Express offices are in rather small localities, aren't they?

A. That is right, yes, sir.

X Q. Where the people know the bank and they know everybody, and they don't have much occasion to buy money orders; is not that right?

[fol. 484] A. Well, it varies, according to the communities.

X Q. Certainly it varies; but in some communities there is very little money order business; is not that right?

A. Yes; I think that is a fair statement.

X Q. What would you say is the average number of money orders per year written by these thirteen hundred some odd agents of yours in the State of Illinois?

Mr. Wines: For what year, Mr. Yowell?

X Q. Let us take for the year 1953. I said average. But take the year 1953; what, roughly?

A. I could not venture even a guess on that.

X Q. Out of that rate—which we will shortly have in the record—the agent gets one-third, doesn't he?

A. That is correct.

X Q. So that if the agent sells one hundred dollar money orders he takes in approximately fifteen dollars and he makes five dollars, and you make ten; is that approximately correct?

A. Approximately, yes.

mail it back to Chicago, or he might deposit it with one of the Danville or Peoria banks where we have accounts.

Q. How many places do you have in Illinois where you sell money orders?

A. 1352.

Q. Those places have reference to these groceries or drugstores?

A. I can give you that roughly. 288 of them are Railway Express Agency offices; 154 are Western Union offices; [fol. 463] 910 would come in this category of the small stores or supermarkets or chain stores, or what have you.

Q. Can you tell us in how many cities or towns or villages these places are located in Illinois where you sell these money orders?

A. They are located in 313 cities, towns and villages.

Q. All over the State of Illinois?

A. All over the State of Illinois.

Q. Do you have the facts with reference to that as to 1939 and 1942?

A. No. But I doubt if there would be much variation, because—conversely to some of the other statistics we are using—1942 was a year of great industrial expansion in the United States due to the war effort. You know, you had a lot of migratory employees; they were coming from one part of the country to others to work in defense plants, and a great many of those folk bought money orders. I think 1942 was one of our very big money order years.

It is only recently that we have come back to those 1942 figures, because the money order business volume was curtailed a bit when they put in the tax provision to pay as-you-go where the employer would retain the amount of the tax and it would not be a question of people going out to [fol. 464] buy a money order four times a year to send in their tax.

That has had some over-all effect on the money order business. I think there was probably not much variation from 1939.

Q. That is in practice you would say that in 1942 there wasn't much variation as to the number of places where you sold these money orders?

A. In my judgment there would not be very much variation.

X Q. A substantial number—several hundred, at any rate—of those agents make a very small amount in the course of a year, don't they?

Mr. Sobel: I object to that, as calling for a conclusion of the witness.

A. That is correct.

[fol. 485] Mr. Wines: You may go ahead and answer it.

Mr. Yowell: He has already answered it.

Mr. Wines: I am sorry: I did not get the answer.

X Q. In order to make it a little more specific: when you said "Approximately," what did you have in mind?—one hundred dollars, or something like that?

A. Yes. Some agents might make less. We here are in a sort of realm of philosophy. I have no facts to justify this.

Mr. Sobel: Then I move that the answer be stricken.

X Q. What would be the effect on these agents of yours in the State of Illinois, these thirteen hundred some odd agents, if each one of them had to pay a license fee of, originally, \$50, then \$25 a year inspection fee—and pay that each year?

Mr. Wines: I object.

Mr. Sobel: As calling for a conclusion.

Mr. Wines: And being too vague.

Mr. Yowell: Well, if you know.

A. I don't know.

X Q. You have no idea whether it would help them or hurt them?

Mr. Sobel: I object to that, for the same reason.

Mr. Wines: I object to that.

A. Well, the answer is that I have no idea, other than guesswork.

[fol. 486] X Q. So far as you know the requirement that those amounts be paid to the State of Illinois might help them just as well as it might hurt them. I take it from your answer?



Q. How about 1939; do you have that?

A. In 1939—well, I should say that we must have had within a couple of hundred of what we have now.

Q. Less? In other words, you might have had a couple of hundred less?

A. A couple of hundred less, yes.

Q. Will you state whether during all the time you were connected with the American Express Company money orders were sold by the American Express Company in the State of Illinois?

A. Yes, during all that time.

Q. During all that time did you have places where you sold them?

A. Yes, sir.

Q. You had one or more offices in Chicago?

A. Yes.

[fol. 465] Q. And you maintained bank deposits in these different banks during all that time?

A. Yes.

Mr. Soble: That is all.

Cross-examination.

By Mr. Yowell:

X Q. Mr. Smith, if one had to summarize your testimony here this morning in just a very short sentence, would it be fair to say that American Express, operating on a world-wide basis and with the universal reputation for financial solidity and responsibility, is unique in its organization and mode of operation?

A. I think so.

X Q. What you have testified fairly supports that statement, don't you think?

A. Yes.

X Q. In your operations in Illinois some of your agents send in their reports and their remittances by mail, do they not?

A. Yes, there are some.

X Q. I thought when you testified counsel asked you and you only testified with respect to the collections by collectors; but you also have the mail remittances?

Mr. Soble: I object, for the same reasons.

Mr. Wines: I object.

X Q. Is that your idea?

A. No, that is not my idea. I think, on the basis of guess-work—

X Q. Let us not go on that basis, Mr. Smith. But let us—what was the expression you used,—informed estimate?—Let us keep in that category, if we may.

You have been in this business for a great number of years, have you not?

A. That is right.

X Q. And you have from time to time noted the result of your cost accounting people, I take it?

A. I have.

X Q. And in a general way you have noticed where you were making money on money orders, and where you were not making money, I assume?

The answer is Yes, I take it?

A. Yes.

X Q. Do you have sufficient experience and knowledge of the money order business to say whether or not the requirement [fol. 487] of the necessity of paying \$50 by each one of these agents—whether the agents paid it or whether the American Express Company paid it each year—to the State of Illinois, an inspection fee of \$25, and an additional fee each year thereafter, would have an adverse effect on the money order business of the American Express Company in Illinois?

Mr. Wines: I object to that.

Mr. Soble: I object to that as calling for a conclusion; incompetent, irrelevant, and immaterial.

X Q. Do you know or do you have any knowledge on the basis of your experience as to whether it would help them, or not?

Mr. Soble: The same objection.

A. I think it would be a deterrent.

Mr. Soble: I move that the answer be stricken, for the same reasons that I assigned in my objections to the questions.

A. We have some mailed in, yes.

X Q. You undertake to find drugstores, perhaps hardware stores, grocery stores, maybe cigar stores, any place where there is a volume—a large number of people coming in; and you make some investigation I suppose to determine their responsibility and whether they are capable of writing money orders; then I presume you require some sort of bond, do you?

Mr. Wines: Are you answering these questions Yes, Mr. Smith?

Mr. Yowell: I thought he did.

The Witness: I agreed with it.

Mr. Wines: He was nodding. But the reporter can't take a nod.

A. Yes.

X Q. And I suppose you require some sort of bond that these agents will not run off with the money they collect when they sell your money orders? Or, do you?

A. We do not in all instances ask the man to pay for a bond, no; but we do have an over-all bond that we do take out where we are protected against any fidelity losses in excess of a certain amount.

X Q. Then you have a certain form of money order—which I suppose is registered, isn't it?

Mr. Wines: Registered where, Mr. Yowell?

X Q. Registered in Washington. And I suppose registered as a registered name "American Express Company [fol. 467] Money Order" or some similar protection of that sort, don't you; so that just anybody can't print American Express Company money orders on a piece of paper and sell it?

A. The name "American Express" and some of the symbols of American Express have been registered somewhere in Washington. But whether specifically the money order form, as such, has been registered, I can't answer.

X Q. At any rate, you have various forms printed which you supplied to your agents?

A. Yes, sir.

X Q. Those forms include not only the money orders, I take it, but forms of the reports that are made by the agencies, I take it?



(A paper was handed to Mr. Yowell by the witness.)

Mr. Yowell: Now we have this schedule.

X Q. I have been handed a card, Mr. Smith, I believe you have one, that shows American Express Company money order rates.

Can you tell me how long this schedule has been in [fol. 488] effect.

A. I suspect since June 1953—since that is printed on the lower lefthand corner: "Form 1365 6/53."

X Q. I notice that, from 1 cent to \$5, the rate is 10 cents.

A. That is right.

X Q. Previously, you had that split down from 1 cent to \$1, 5 cents, and from \$1.01 to \$5, 10 cents; is that right?

A. Yes, that is right.

X Q. From \$5.01 to \$10, is 15 cents; I believe that has not changed, is that right?

A. I don't believe that has changed.

X Q. The next one, \$10.01 to \$50, 25 cents; that is the same?

A. That is the same, is my recollection.

X Q. Then finally; the \$50.01 to \$100 is now 35 cents, instead of 30 cents as previously?

A. I believe that has been increased, yes, sir.

X Q. American Express Company's income from money order sales after the agent retains one-third, is not a large net income, is it?

A. No.

Mr. Soble: I object, as calling for a conclusion of the witness.

[fol. 489] X Q. Out of that net income, Mr. Smith, your company has to pay all the costs of doing that business; is that right?

A. Correct.

X Q. Does that include the printing of the money orders on special protected paper?

A. It does.

X Q. Does it include the distribution to subagents?

A. It does.

X Q. Does it include the collecting from subagents for sales made?

A. Yes.

X Q. And perhaps other forms, which enable bookkeepers to keep the records accurately; is that correct?

A. Yes, sir.

X Q. Are you familiar with the operations of so-called currency exchanges in Illinois?

A. In a general way, yes, sir.

Over the years when I have been in Chicago and discussed operations with our people there, I have known in a general way about the currency exchanges. I don't know all the technicalities of the situation.

[fol. 468] X Q. You know that there are six or seven hundred of such institutions?

A. Yes, sir, I know that.

X Q. And that they not only sell money orders but they cash checks.

A. Yes, I know that.

Mr. Wines: Mr. Yowell, I have no objection to this at all; but, if you are going to ask the witness about the currency exchange business in Chicago, that is not within the scope of his direct examination.

I think you ought to make him your witness.

Mr. Yowell: I think that is not necessary, Counsel. I submit it will shortly appear that it is within the scope of the examination, if you will just bear with me.

X Q. Is there a technical term for the phenomenon that occurs when a substantial number of money orders have been sold and there is an interval occurring between the time they are sold and they are returned in and the cash is forthcoming for them?

A. You might call that the "float."

X Q. That is called the "float," isn't it?

Do you know whether or not these currency exchanges, in effect, increase their capital, and actually cash checks from the receipts that they receive from the sale of money [fol. 469] orders?

Mr. Wines: Objected to. If he knows.

Mr. Soble: I object to that, as exceeding the scope of the direct examination, and calling for a conclusion of the witness.

A. It does.

X Q. Does it include providing for bonds and insurance premiums in connection with the subagents?

A. It does.

X Q. Does it include the handling of the accounting for sales made?

A. It does.

X Q. Does it include matching the money orders, when paid, with the individual items sold?

A. It does.

X Q. Does it include paying the losses sustained by theft or fraudulent negotiation of money orders?

A. It does.

X Q. Does it include advertising and promotion?  
[fol. 490] A. It does.

X Q. Does it include overhead and taxes?—Let us just separate it, first: general overhead?

A. It includes a contribution to general overhead.

X Q. Yes, that is right. It is a proportionate part, I take it, of general overhead—is that right? And taxes,—I would say that is income taxes and State taxes in whatever states you pay state taxes,—I take it?

A. Yes.

X Q. Do you know or have records that will show the volume of business in 1953 in the State of Illinois in the sale of travelers checks,—and—

Mr. Wines: I object, because I do not understand whether by the use of "you," it means this witness or the company.

Mr. Yowell: I am asking Mr. Smith, the executive vice president of the company, whether he personally has knowledge, or whether he has the means here in the office of obtaining the information about which I am asking.

A. We have records showing the sale of travelers checks in the State of Illinois.

X Q. For the year 1953?

A. Yes.

X Q. And the same with respect to foreign exchange?

[fol. 491] A. It would be more work; but it would be available,—it could be gotten.

X Q. And the travel office income, the same thing I take it is true.



Mr. Yowell: Go ahead. They are just noting their objections, so that the Court can pass on them.

Mr. Wines: Yes; go ahead.

A. I don't really think I am competent to answer that.

X Q: You would not really know about that?

A. No.

X Q: Besides American Express Company, is any individual or corporation, so far as you know, selling money orders in Illinois in any substantial volume at all, by means of agents in drugstores, grocery stores, et cetera, such as you have described your operation to be?

A. I don't know about Illinois.

X Q: Well, in the business of selling money orders in Illinois—merely selling money orders, not check-cashing but merely selling money orders through agents, grocery stores, small department stores, meat markets, et cetera, American Express Company actually has a monopoly, does it not?

Mr. Soble: I object to that, as calling for a conclusion [fol. 470] of the witness.

Mr. Wines: So do I. Go ahead and answer, however.

A. I have never felt we have.

Mr. Soble: Pardon?

The Witness: I have never felt we had a monopoly.

X Q: Can you name any other person or firm or organization that is so engaged in the State of Illinois—I mean without cashing checks,—merely selling through agents in these various stores that I have mentioned?

A. My difficulty is not in establishing in my own mind the fact that other people do this business.

The difficulty I have is considering of trying to recall whether they do it in the State of Illinois. I know that in other states there are not only the American Express, Bondified, and other issues,—there are a lot of other issues that work on comparable lines, but I am not cognizant of who does and who does not operate in Illinois.

Mr. Soble: I move that the answer be stricken out, as not responsive to the question.

These bank accounts that you mentioned include receipts, do they not, from your travelers check business—your travel business, your foreign exchange business, and your money order business; is that right?

A. Well, our funds would flow from all those sources, but these specifically might not be directly traceable.

X Q. I think we understand each other.

I believe you said that the credit of various agents varies; some are more responsible perhaps than others, is that right?

A. That is right.

X Q. I suppose—human nature being what it is—sometimes an agent goes wrong; is not that right?

A. Occasionally, yes, sir.

X Q. Suppose, Mr. Smith, an agent in the State of Illinois does go wrong and he disappears, and checks start coming in that have been "in float"; I believe that we found that was the term; and you have reason to believe, from some information you receive, that perhaps the agent was in cahoots, let's say, with some people of his, and that some of these money orders that are presented for payment were [fol. 492] not legitimate,—has anything like that ever happened in the course of your experience?

Mr. Wines: In Illinois, or any other place?

Mr. Yowell: In Illinois or any other place.

A. Oh, yes.

X Q. What do you do, in a case like that? Do you go ahead and pay all of these checks?

A. Well, a money order has to be paid on identification. The decision as to whether we would pay that money order, or not, would depend a good deal on who cashed it. If some innocent person like a corner grocery man who had suitable identification, passed that, or somebody else who was certainly an innocent party, we would pay it.

X Q. I am talking about a case where you don't think he is an innocent party.

Mr. Soble: I object to that, as calling for a conclusion.

Mr. Yowell: He says it has happened.

A. It is a question of judgment there. We occasionally would turn them back for investigation.

X Q. In other words, the occasion might arise, and some times does arise, where the matter has to be litigated; is that right?

A. That has been so occasionally but in an amazingly [fol. 493] small proportion of the cases.

X Q. Oh, yes; I am not talking about a large number of them.

If a citizen of Illinois was involved, what do you do about that? He can't sue you in Illinois, can he?

Mr. Soble: I object to that.

Mr. Wines: I object to that. That is calling for a conclusion of the witness as to Illinois law, as to what constitutes proper service of process; something that he cannot possibly testify to.

Mr. Soble: I join in that objection.

Mr. Yowell: All right; if you can, answer that, after that.

The Witness: May I ask that the question be read by the reporter?

(The pending question was repeated by the reporter.)

A. I don't feel competent to answer the last part of that question.

I would be surprised if he could not sue us,—just talking extra curricular here. But I don't think there would be any prejudice to a citizen of Illinois, as opposed to a citizen of any other state. I mean the records will show I think that in the sixty or seventy years we have been in this [fol. 494] business we have a pretty good record—

Mr. Yowell: Just a moment.

Mr. Wines: He is answering the question.

Mr. Yowell: He is not. I am not asking anything about what a good record they had.

The Witness: I didn't stop you.

Mr. Yowell: I know you didn't. But I will stop you.

Mr. Wines: I object to your interruption.

Mr. Yowell: Just a moment now.

Mr. Wines: I move to strike it out.

Mr. Yowell: If he wants to go ahead, over my objection, if counsel tells him to, you go right ahead and make a voluntary statement about your record now. That is just what I wanted—you to volunteer.



The Witness: What do we say here?

Mr. Yowell: You can go right ahead and finish what you started.

The Witness: Your gun shot off since I started.

Mr. Yowell: That is right.

The Witness: Mr. Reporter, will you just pick me up on that last sentence?

(The latter portion of the last preceding answer of the witness was repeated by the reporter.)

[fol. 495] A. (Continued:) —for fair dealing.

X Q. Well, would you say that you never have failed to pay an obligation?

A. I would say that we never have failed to pay a just obligation.

X Q. Well, that is an obligation that you deem to be just?

A. I think it goes beyond that.

X Q. I see.

A. I think we take a very broad view of questions of that type.

X Q. Mr. Smith, according to the annual report for the year 1954 of American Express Company, Incorporated, of Illinois, I find a list purporting to be the addresses of the officers and directors—Mr. Ralph T. Reed. He lives in New York?

A. Yes, sir. New York City.

X Q. Michael J. Fennimore; he lives in New Jersey?

A. That is right.

X Q. Arthur V. Slade; he lives in New Jersey?

A. New Jersey.

X Q. Norman F. Pace, New York?

A. Yes, New York.

X Q. Ralph T. Reed—that is the same Reed, I suppose. Howard A. Smith, yourself?

[fol. 496] A. Yes.

X Q. Living in New Jersey?

A. That is right.

X Q. Mr. Smith, you have on file, do you not, with the County Clerk of Cook County, a statement of the people

that are doing business in the States of Illinois under the fictitious name, so-called, American Express Company?

Mr. Wines: If you know.

Mr. Yowell: If you know. If you don't—

The Witness: I don't understand the adjective.

Mr. Yowell: The word fictitious—don't let that throw you.

A "fictitious" name under the law, if you are operating as "John Smith & Company" and your name is Jones, then you are supposed to file a statement so that people can go over and find out who the people are that are doing business under that name.

X Q. I am asking you now whether there is, today, right now, on file with the County Clerk of Cook County, Illinois, a statement showing the people who are doing business in the State of Illinois, under the name American Express Company.

A. I believe—

Mr. Soble: I object to the question.

A. I believe there is.

[fol. 497] Mr. Soble: I would like to have my objection noted before the answer: that the county clerk of Cook County and his records, would be the best evidence of that fact.

Mr. Yowell: I think they probably would, counsel, if we were not cross examining this witness. And of course they will be available.

X Q. I would like to ask you about some people who purport to be people doing business in Illinois under the name of American Express Company; and I would like to ask you about them:

First, Mr. Robert L. Clarkson. Is he living, or dead?

A. He was living, up to noontime.

X Q. He lives in New York?

A. He lives in New York.

X Q. If any of them are dead, you tell me as I go along.

Frederick A. Small.

A. Alive.

X Q. Lives in New York?

A. Lives in New Jersey.

X Q. We already have had Ralph Reed; he lives in New York. He is very much alive.

Lynde Seldon?

A. He lives in Connecticut and New York.

[fol. 498] X Q. Yourself: Howard A. Smith.

A. New Jersey.

X Q. William H. Stetser.

A. He is dead.

X Q. How long ago did he die?

A. Guesswork: a year ago.

X Q. Martin M. Noon.

A. He is alive.

X Q. He lives in New York, would you say?

A. The last I heard, he was in the Carolinas.

Mr. Page: Long Island.

The Witness: Long Island, I believe.

X Q. Paul R. Ross.

A. He lives in New York. He is alive.

X Q. John N. D. Gross.

A. I don't know where he lives.

X Q. He is not connected with the company?

A. He is not connected with the company.

X Q. George E. Giese.

A. Ossining, New York.

X Q. Mr. Page we had a resident of New York.

Mr. Hal Ravndal.

A. A resident of New Jersey.

X Q. Arthur B. Slade.

A. A resident of New Jersey.

[fol. 499] X Q. J. J. L. Deimen.

A. He is retired. He is a resident of Long Island, New York.

X Q. J. P. Wagman.

A. Mr. Wagman lives in New Jersey.

X Q. Joseph F. Abbott.

A. Mr. Abbott lives in Connecticut and New York.

X Q. John K. Livingston.

A. He lives in California. He is retired.

X Q. John McHugh.



A. Mr. McHugh is deceased.

X Q. Jeremiah Milbank.

A. He is no longer connected with the company. He was a former director. He lives in New York.

X Q. So far as the company is concerned he is retired.

A. Yes, sir.

X Q. Theodore Roosevelt. I believe he is dead.

A. That is the General. He was killed in France in the Second World War.

X Q. Charles S. Sargent.

A. He is alive. He lives in New York State.

X Q. Roy B. White.

A. He was formerly president of the B&O. He lives in Baltimore.

X Q. Albert H. Wiggin.

[fol. 500] A. He is deceased.

X Q. Albert A. Williams lives in Denver?

A. Yes.

X Q. He is no longer with your company?

A. No longer with the company.

X Q. He was the president of Western Union?

A. Westinghouse Airbrake.

X Q. Henry Rodgers Winthrop.

A. I believe he is dead. He is not connected with the company, anyway.

X Q. Mr. Smith, I show you an American Express Company money order which is made out to me for 10 cents; and I will ask you if that is one of your American Express money orders?

A. Yes, that is an American Express money order.

X Q. That money order was not issued by this corporation that is organized for \$1,000 in the State of Illinois for the purpose of handling express packages, is it? Or, was it?

A. No. This was issued by an agency.

X Q. Yes. But it is an American Express money order, and not an American Express Company of Illinois, Incorporated; money order, is it?

A. It is an American Express money order.

X Q. Mr. Smith, this Annual Report, 1954, of American [fol. 591] Express Company of Illinois, Incorporated, gives

as the registered agent of the corporation of the State of Illinois, a Joseph T. Walsh?

Do you know Mr. Walsh?

A: Yes, very well.

X Q. What connection does he have with the American Express Company, as distinguished from the American Express Company, Incorporated, of Illinois?

A. He is an assistant vice president of the American Express Company, stationed at the Michigan Boulevard office. He has been there a great many years.

X Q. Are you familiar with the case that is now pending in the Circuit Court of Cook County, Illinois, known as Carmichael versus American Express Company of Illinois, Incorporated, in which the Cook County records show that the deputy sheriff was advised that there was no such corporation when he attempted to serve Mr. Walsh at 48-20 South Michigan Avenue?

Mr. Soble: I object to that, as assuming—

Mr. Yowell: I will agree; and I will withdraw it, because it is getting too many things in the question.

X Q. Have you heard of the case of Carmichael versus American Express Company of Illinois, Incorporated, which is now pending in the Circuit Court of Cook County, Illinois?

[fol. 502] A. I have not.

X Q. Did you give any direction to Mr. Walsh that he should refuse to accept service of a summons in a suit against a corporation when the report shows him as the registered agent?

A. I did not.

X Q. I believe you said you had been with the American Express Company since 1919?

A. That is right.

X Q. Do you recall a suit that was filed in Illinois and went to the appellate court of Illinois, entitled Avedio Vogosian, Administrator of the Estate of Hasadior Mangogian, Deceased, Appellant, versus American Express Company, a corporation, Appellee?

Mr. Wines: What is the number of that case?

Mr. Yowell: 36283. That is a memorandum decision.

You will find it in two separate reports. You will have to get the opinion from the court clerk.

You never heard of that case?

A. It is not familiar to me.

X Q. Are you familiar with the efforts now being made on behalf of American Express Company in the State of California by the law firms of Adams, Duque & Hazelton, and Ahearn, Chandler & Hoffman?

Mr. Soble: I object.

[fol. 503] A. I recognize the names and I am vaguely familiar with something going on there, but I am not familiar with the details.

X Q. Have you seen the brief that has been filed on behalf of American Express Company contending that you are not engaged in the business of selling money orders at all but that you sell promissory notes?

Mr. Wines: I object.

A. I haven't seen it.

X Q. Mr. Smith, do you recall a suit filed by American Express Company against a man named Cochrane, in the State of Florida, in 1931?

A. Nothing in that title comes to my mind.

X Q. When you receive the proceeds of money orders from your agents do you keep those proceeds in a separate account from the proceeds you receive from the sale of foreign exchange and other sources of income?

Mr. Wines: I did not hear that question. Will the reporter read it, please?

(The pending question was repeated by the reporter.)

A. I think in the technical accounting it might flow through a control account that would technically keep it separate, but physically all of these funds find their way to the treasurer's account.

[fol. 504] X Q. And money order funds and travelers check funds are commingled actually in the bank accounts, aren't they?

A. Yes, they are.



X Q. The period of float on travelers' check funds is rather longer than on ordinary money order funds, is it not?

A. My firm judgment is that it is somewhat longer.

X Q. And foreign exchange would naturally be a longer float than a money order?

A. Not necessarily, because sometimes for example if you should sell a remittance for 10000 you have to go right out and use those funds and you buy 10000 to put on credit to meet this item—unless you wanted to carry an open exchange position covering what real funds you were long in foreign currency; then there would be no float to speak of.

X Q. There would be many instances where there would be practically none, but if you take an instance where I bought some foreign exchange that I wanted to send to England, it would naturally be longer than if I were paying a grocery bill, would it not?

A. Not necessarily, Counselor, because we try to avoid carrying open exchange positions; and if we in fact just sold you sterling and didn't buy the sterling we would [fol. 595] be exposed to a market risk in case the value of sterling should depreciate. So that normally when we get all of these orders from all over the country that would make up a round amount of sterling, we would purchase that sterling and put it on deposit to cover those drawings, some by cable, some by check. We might have the sterling a little longer, but it would be of no use to us in this country; it would be abroad.

X Q. But the foreign exchange receipts would actually be in the same bank accounts?

A. Yes.

X Q. As the other receipts?

A. Yes, sir.

X Q. Was that also true of your receipts from the Wells Fargo merchandising operations?

A. Oh, no.

X Q. That is separate?

A. We would never see any of that. That would have to come to us through a stock dividend, or something like that.

X Q. Because you are only an ordinary stockholder?

A. Yes.

X Q. What does the American Express Field Warehousing Corporation do?

A. They have a complete service organization. Warehousing is a relatively new endeavor for us. It would be [fol. 506] a case for example where a bank might have a client who needed to carry a little more inventory, they might not want to give them ten thousand dollars on open credit but, if we as an outside organization came in and segregated one room in his premises as a storage place for excess merchandise and we put lock and key on that, and a sign that this was an American Express Warehousing unit, and the bank instructed us the conditions under which something in that room could be released to his open stock, we would be paid a fee by the customer of the bank; we would give the bank a receipt for the goods so stored; and that might constitute a method by which the customer could have more readily available additional inventory.

X Q. And you are doing that business in the State of Illinois, aren't you?

A. Yes, we are. That is through a separate company, though, an American Express company warehousing corporation.

X Q. Is that a corporation?

A. Yes, sir.

X Q. Where is that organized?

A. Organized in the State of Delaware, I believe.

X Q. Does that have a license to do business in the State of Illinois, do you know?

A. I cannot answer that categorically. I don't know. [fol. 507] It is doing business in the State of Illinois, and I presume it must be qualified.

X Q. Does American Express Company have a subsidiary called Rexport Corporation?

A. Yes, it does.

X Q. Is that a corporation?

A. Yes.

X Q. Do you know where it is organized?

A. I really don't, sir.

X Q. I am sorry to be so inquisitive.

A: I am sorry to be so dumb. But I don't know the answers to all of these questions.

X Q. What about the Trinway Corporation?

A: That is also —

X Q. A subsidiary corporation?

A: I could explain a little more about this—a little I know about it.

Q. First of all, what does the Rexport Corporation do? I suppose it has to do with exports?

A: No.

X Q. What?

A: They are not really operating companies at all. It is a rather involved corporate structure.

Actually a great many years ago our stock was owned by Chase Securities Corporation; then under the Banking [fol. 508] Act of 1933 I believe national banks had to divest themselves of securities affiliates; so they took the Chase Securities Corporation and they named it the Amerex Corporation.—

X Q. That was a holding corporation?

A: That was a holding corporation for our stock; and the Amerex Corporation, in turn, had two babies, Rexport and Trinway, which they used for different kinds of operations. Now as the years went on it was felt desirable to simplify the overall corporate structure, and Amerex was dissolved and its stockholders were given American Express stock, and it disappeared; but the residue were these two, Trinway and Rexport, which really are dormant; they have a few of these old holdings that probably go back for a good many years, but not of any great substance. They are really sort of skeleton corporations I suppose you would call them, that undertake no business. They have a few investments.

X Q. We mentioned the Wells Fargo company in which American Express Company has a majority both of the preferred and common stocks; is that right?

A: That is right.

X Q. That company, in turn, has subsidiary corporations, has it not?

A: Yes, they have the Wells Fargo Armored Service; [fol. 509] the Wells Fargo of Cuba.



X Q. And Mexico?

A. And Wells Fargo & Company Express S.A.S.M.

Mr. Yowell: I think that is all I want to ask Mr. Smith.

Re-Direct examination.

By Mr. Soble:

RD Q. This Amerex Corporation is spelled A-m-e-r-e-x?

A. Yes, sir.

RD Q. Do you recall when that came into existence, approximately?

A. It must have been in 1933 or 1934, when they had to follow the precepts of this banking law and dissolve the Chase Securities.

RD Q. When was it dissolved?

A. Within the last three years.

RD Q. Then they distributed the American Express Company stock to its stockholders?

A. That is right, yes, sir.

RD Q. So that within the last two or three years do you know approximately how many stockholders there are in American Express Company?

A. 25,000.

RD Q. During the time that Amerex Corporation held stock in the American Express Company do you recall [fol. 51N] approximately how many stockholders there were in the American Express Company?

A. During that period there were about fifty to seventy-five stockholders.

RD Q. I show you this affidavit of the American Express Company marked Defendant's Exhibit 3 for Identification, purporting to be filed with the County Clerk and Clerk of the Supreme Court of New York County; it shows in here the number of associates or stockholders as 22,580; and that purports to be dated as of January 11, 1954. Is that about right?

A. I would accept that as being correct.

Mr. Soble: That is all.

Re-Cross-examination.

By Mr. Yowell:

RX Q. I understand that before the reorganization in 1950 the shares of this voluntary association were for the purpose of the agreement valued at \$100 each?

Mr. Soble: Which "voluntary association"?

Mr. Yowell: The only voluntary association I have heard about today, Counsel, is the American Express Company. That is the one I am talking about.

Mr. Soble: Would you mind specifying that in your question.

RX Q. Now that it is clear that is what I mean, and that [fol. 511] the number of such shares is fixed and was fixed and limited to 180,000, I am referring to this Wisconsin report, Mr. Smith, is that approximately correct, so far as you know?

A: That is approximately correct, so far as I know.

RX Q. If there were 180,000 shares at \$100 each, there could be 1800 stockholders unless they owned fractional interests; is not that right?

A. I am a little confused on that.

RX Q. Was that situation possibly changed in 1950, when you had a sort of reorganization?

A. I don't understand your premise, Counselor.

RX Q. Oh

A. I mean I understand all about there being 180,000 shares if they are valued at \$100 apiece.

RX Q. With the 180,000 I believe you get 1800; so that if everybody had one share there could only be 1800 shareholders?

A. I think I get what you are referring to.

The Articles of Association, Article IV was amended November 21, 1950 to read:

"The authorized capital stock of the company shall consist of 2,500,000 shares having a par value of \$10 per share, hereinafter called the \$10 Par Stock, and 180,000 shares [fol. 512] having a par value of \$100 a share, hereinafter called the \$100 Par Stock."

Then this goes on to recite how they would exchange

these two types of stock, and, in that process, this modification of figures ensued.

Mr. Yowell: That is all.

Mr. Noble: That is all.

[fol. 513] JOHN H. BAUM, of lawful age, called as a witness on behalf of the defendants, being first duly sworn by Albert Gerber, notary public, testified as follows:

Direct examination.

By Mr. Wines:

Q. Would you be good enough to tell us your name?

A. John H. Baum.

Q. Your address,—residence?

A. 51 Highland Avenue, Elizabeth, New Jersey.

Q. You are a partner in the firm of Haskins & Sells, certified public accountants?

A. I am.

Q. That partnership does the general accounting, audit work, and preparation of financial statements, for American Express Company and its subsidiaries and affiliates, does it not?

A. Yes.

Q. You are the partner who oversees that work for American Express Company, are you not?

A. Yes.

Q. At the present time?

A. That is so.

Q. How long has that been true?

A. Since the company's report for the year ending December 31, 1948.

Q. There is prepared under your supervision and has [fol. 514] been since the date that you last mentioned a financial statement or report each calendar year; is that correct?

A. That is right.

Q. Those are certified by your firm upon your authority and recommendation?

A. Yes, sir.



Q. The books of original entry underlying those reports are extremely voluminous, are they not?

A. That is so.

Q. And would comprise millions of entries?

A. Yes. I could not say a million; I never counted them. But certainly—

Mr. Yowell: Give or take two or three hundred thousand?

The Witness: Yes.

Mr. Wines: I ask the reporter to mark for identification this series of the financial statements which have been produced.

Marked Defendants' Exhibits 4-13 for Identification.

Q. I hand you Defendant's Exhibit 4 for Identification, certified by you for the year 1949. Is that one of the statements to which you refer?

A. Yes, sir.

Q. This accountant's certificate is handwritten. That [fol. 515] is the original, is it not?

A. Yes.

Q. Would your answer be the same if I show you Defendants' Exhibit 5 for Identification; is that the statement to which you have referred for the year 1950?

A. That is right.

Q. Will you make the same answer as to that, changing it to the year 1951?

A. That is right.

Q. And the same answer, changing it to the year 1952?

A. That is right.

Q. Handing you Defendants' Exhibit 8A for Identification, I ask you in whose handwriting is the manual handwritten signature "Haskins & Sells"?

A. That is my handwriting.

Q. Is that the statement to which you have referred for the year 1953?

A. This was taken apart. The one I signed was ~~based~~ in with the regular report.

Q. Will you explain that now?

A. (Referring to Defendants' Exhibit 8A for Identification.) These are the ones we signed. This I presume is the same as this (referring to a copy of Defendants' Ex-

hibit SA for Identification), except this was taken out of the whole report for the year, because, when we signed [fol. 516] these things they were bound in the report.

Do I make myself clear? I assume that this is the same financial statement.

Mr. Wines: The witness is referring to Defendants' Exhibit SA for Identification.

That is all.

Examination.

By Mr. Soble:

Q. Mr. Baum, where is your office located?

A. 67 Broad Street, New York City.

Q. New York City?

A. That is right.

Q. What is your occupation or profession?

A. I am a member of the firm of Haskins & Sells, engaged in the practice of public accountancy.

Q. States whether or not you are a certified public accountant?

A. I am a certified public accountant.

Q. How long have you been a certified public accountant?

A. Since 1939.

Q. What is your age?

A. Forty-eight.

Q. How long have you been associated with the firm of Haskins & Sells?

[fol. 517] A. Since September 30, 1929.

Q. You have been continuously connected with that firm since 1929?

A. That is right.

Q. How long have you been a partner in the firm of Haskins & Sells?

A. Since June 1, 1949.

Q. What is the nature of the business or occupation of Haskins & Sells?

A. As I said before, they are a firm engaged in the practice of public accountancy.

Q. How long have they been engaged in that business?

A. Since long before I came with the firm.

Q. Where are their offices located in New York City?

A. Our only office since last Friday is at 67 Broad Street, New York. Previous to Friday, we had an office uptown.

Q. Uptown; where was it located there?

A. Park Avenue. — 230, I believe the number is.

Q. How long has the firm of Haskins & Sells been engaged in accountancy in New York City?

A. I believe since 1895.

Q. Where else do they have offices, if any place besides New York City?

A. They have offices in all—when I say "all"—in [fol. 518] many of the principal cities of the United States, also in Canada, Mexico, and Cuba.

Q. Is that a partnership—Haskins & Sells?

A. That is so.

Q. How many partners comprise the firm of Haskins & Sells, or approximately how many partners?

A. I would say approximately 150.

Q. Directing your attention to the audit reports which you have identified, I think the first audit report was the report of 1949—was it?

A. I don't recall which was the first one. I believe it was 1949.

Q. The audit report of December 31, 1949, marked Defendants' Exhibit 4 for Identification; I will ask you to state what your connection was with reference to the auditing services rendered for the American Express Company in connection with the formulation and preparation of that report.

A. I was the partner handling the direct supervision of the American Express Company engagement. As such, I supervised the execution of the engagement during the entire time it took representatives of our staff to conclude the field work, after which I reviewed the working papers on the engagement, the draft covering the preparation of the report, and checked out the draft of the report, as per [fol. 519] stated that it was correct, from our working papers, and prepared the certificate for inclusion with that report upon recommendation to the company.

Q. I will ask you to state how many employees you had under your supervision in connection with the auditing



services referred to that led to the issuance of that report.

A. I don't of course recall the exact number. It is our usual practice to commence this examination around the beginning of December of each year, at which time the accountant in charge of the engagement together with two or more assistants commence the work. That grows in manpower to perhaps eight or ten in, oh, maybe January or February, depending upon circumstances, and then falls off to perhaps five or four at around the conclusion of the work.

Q. Five or four what?

A. Five or four men at the conclusion of the work, at the end of March or the first part of April, at which time the audit is completed.

Q. Would you say that the work in connection with the examination of the books and records of American Express Company for that report started December 1 of 1948 and that the actual examination work concluded around the 1st of April 1949?

[fol. 520] A. I would say that as to this year—

Q. As to that year that is referred to in Defendants' Exhibit 4 for Identification?

A. As to the year 1949 I would say that our work did not conclude as of the beginning of April. It lasted longer.

Q. How long did it last?

A. I don't remember, except that our certificate is dated August 15, 1950, and I would say that the work carried on up until shortly before that date, in that particular year.

Q. Did you prepare that report as it stands there, the wording of it?

A. Yes.

Q. Did you make the conclusions, the figures that are set forth in that report, from the examination data furnished you by your employees?

A. Yes.

Q. How long did it take you to formulate that report?

A. I would say to refer to the working papers, check out all of the figures into this financial statement, probably two weeks.

Q. Was that work done by you during this period of approximately two weeks—upon the conclusion of the examination work done by your employees?

[fol. 521] A. It was.

Q. And that work of your employees, was that done upon the premises of the American Express Company?

A. It was.

Q. Then after you formulated that report, what did you do with it?

A. We had it typed, and rendered it to the client after signing our certificate.

Q. I will ask you to state whether or not that report was made by Haskins & Sells in the regular course of their business.

A. It was.

Q. I will ask you to state whether or not it was the regular course of their business to make the report immediately upon the conclusion of the examination made by its employees upon the premises of the American Express Company.

A. Yes, sir.

Q. I show you the report on examination for the year ended December 31, 1950, of American Express Company and consolidated subsidiary companies; and I ask you to state what if anything you had to do with that report.

A. I acted in the same capacity with respect to this report that I did for the 1949 report.

Q. Were you in charge of the auditing procedures that were entailed in connection with the preparation of that [fol. 522] report?

A. I was, as I mentioned before, the partner in charge of the direct supervision of this engagement, and saw that it was properly executed and that the figures presented in this report were prepared from our working papers which were of course, built up from the books of account.

Q. When did your employees start at the premises of the American Express Company to make their examination of its books and records and those of its subsidiaries in connection with that report, Defendants' Exhibit 5 for Identification?

A. I would say about the beginning of December of this year 1950.

Q. When did their examination of those records conclude?

A. I would say about the end of March or the first of April 1951.

Q. What would you say as to when you started with your formulation of that report?

A. I would say somewhere between about March 25 and April 1, up to about April 15.

Q. Then after the report was typed up did you sign that report?

A. I did.

[fol. 523] Q. What did you do with that report?

A. We rendered it to the company.

Q. Which company?

A. American Express Company.

Q. I will ask you to state whether or not that report was made by Haskins & Sells in the regular course of their business?

A. It was.

Q. I will ask you to state whether or not it was the regular course of their business to make that report at the time or within a reasonable time after the completion of the auditing procedure that you have testified to.

A. Yes.

Mr. Yowell: Have you much more of this, Counsel?

Mr. Soble: I want to identify the rest of these reports.

Mr. Yowell: I will stipulate that Haskins & Sells are well-known accountants and that their figures are no doubt accurate as taken from the books; and I will stipulate that they made all of these reports.

Mr. Soble: All right.

Mr. Yowell: I don't see the reason for the reiteration.

Mr. Soble: That stipulation then applies to Defendants' Exhibits 4, 5, 6, 7, 8A?

[fol. 524] Mr. Yowell: Yes.

Mr. Soble: There are also some reports by a gentleman for some years prior thereto.

Do you want to make the same stipulation?

Mr. Yowell: I would like to ask him some questions about these, when you are through?

Mr. Soble: O.K.

Mr. Yowell: Are you ready?

Mr. Soble: Yes.

Mr. Yowell: I just want to ask two or three questions, Mr. Baum.



## Cross-examination.

By Mr. Yowell: —

X Q. I am looking at the statement of consolidated income and surplus of American Express Company and consolidated subsidiary companies for the years 1952 and 1953, that is, they are side by side, in separate columns.

I notice that the net income before federal taxes, for 1953, was \$4,830,783; is that right?

A. You are reading it.

X Q. You will accept that: the income from operations for that year, 1953?

Mr. Wines: Let him look at it.

A. This is 1953?

X Q. Yes; your report. The income from operations, does that include advances and interest on securities? [fol. 525]. A. Yes.

X Q. The company had at the close of 1953 \$420,982,955 of securities investments; is that right?

A. Yes.

X Q. So that this net income of four million something includes the dividend and the interest income from this four hundred twenty-one millions approximately of securities investments; is that clear?

A. That is right.

X Q. This income from operations shown on the consolidated income and surplus statement I take it includes the income from the travel operations; is that right?

A. That is right.

X Q. Can anyone determine from this statement what part is from travel operations?

A. No, sir.

X Q. Or what part is from interest on government bonds and other securities?

A. No, sir.

X Q. Or dividends from such securities?

A. No, sir.

X Q. This income also includes the income from travelers checks; that is right, isn't it?

A. That is right.

X Q. Can you determine what amount was the income [fol. 526] from travelers checks?

A. You mean from this report in the summary?

X Q. Yes.

A. No.

X Q. Or from utility bill collections?

A. No, sir.

X Q. Or from foreign remittances and exchange?

A. No, sir.

X Q. Or from international freight forwarding?

A. No, sir.

X Q. Or from money orders?

A. No, sir.

X Q. Can you determine from this report what the volume of business was in the State of Illinois in the year 1953?

A. No, sir.

Mr. Yowell: That is all I want to ask him.

[fol. 527] FRANK J. DONOHUE, of lawful age, called as a witness on behalf of the defendants, being first duly sworn by Albert Gerber, notary public, testified as follows:

Direct examination

By Mr. Wines:

Q. Please state your name.

A. Frank J. Donohue.

Q. Your residence, please?

A. 115 Central Park West, New York.

Q. Your profession or occupation?

A. Certified public accountant. Partner in the firm of Haskins & Sells.

Mr. Yowell: Now Mr. Attorney General, we will stipulate that this gentleman is with Haskins & Sells; it is a reputable accounting firm; that the statements he has produced here are statements that were prepared by him.

Is there anything else you would like me to stipulate along that line?

Mr. Sobler: That these were made in the regular course of business by Haskins & Sells.

Mr. Yowell: I so stipulate.

Mr. Sobler: And that it was the regular course of their business to make those statements.

Mr. Yowell: Right.

Mr. Sobler: Contemporaneously with or shortly after [fol. 528] or within a reasonable time after the conclusion of the auditing of the company's records.

Mr. Yowell: Yes.

Mr. Wines: These are Defendants' Exhibits 9, 10, 11, 12, 13, for Identification:

Defendants' Exhibit 9, for the calendar year 1939.

Defendants' Exhibit 10, for the calendar year 1941.

Defendants' Exhibit 11 for the calendar year 1942.

Defendants' Exhibit 12, for the calendar year 1943.

Defendants' Exhibit 13, for the calendar year 1944.

That is all I have.

#### Cross-examination

By Mr. Yowell

XQ. What is your name, please?

A. Donohue.

XQ. You heard the questions I just asked Mr. Baum. Would your answers with respect to these statements you have produced have to be the same as the answers of Mr. Baum to my questions?

A. I would think so, except for one where it may be that there was a change in the form of the report. I will look at the income statements here. (Documents examined.) I do find that we did show what the interest income was and what the dividend income was, at least the company did. I think both of those questions Mr. Baum answered No; but I think he may have meant to say Yes, if he had [fol. 529] looked at those.

Am I wrong in that?

XQ. You are looking at your statements? I was looking at his statements.

A. I am looking at his, as a matter of fact. I am looking at his and not mine.



Mr. Baum: He asked about the 1953 report.

Mr. Yowell: 1953; and you are looking at 1949?

The Witness: Then that corrects it. The form of the report has been changed in 1953.

Mr. Yowell: I see.

The Witness: Back where I am I think that answer might be different. So that we will have to go through each one of these; and I would like to see the reports.

In other words, the form of presentation is different. Mr. Yowell; that is the only point. You might select any one of these that you would like me to speak to.

Mr. Yowell: Let me see that statement that I had when I was asking.

The Witness: You had 1953.

Mr. Yowell: I had 1953. That is here.

XQ. Now, if you will refer to your statements, which I take it—

A. I will take any one you ask me to look at.

[fol. 530] XQ. What is the last year you have here, for which you—

A. I am speaking to 1944 at the minute.

XQ. I am looking at one here. That is the year ended December 31, 1949. Is that yours, or Mr. Baum's?

The Witness: How far did you go?

Mr. Baum: I took 1949.

XQ. I asked him only with respect to the year, 1953 and 1952.

A. Right.

Mr. Baum: That is right.

Mr. Yowell: All right.

XQ. Now then, you didn't have 1949?

A. No.

XQ. All right. Now let me have your 1948.

A. You haven't got 1948 here. I don't know whether 1948 has been put in evidence, or not.

XQ. Sober. We skipped one or two years.

Mr. Yowell: All right.

XQ. Does the statement that you prepared for the year ended December 31, 1944 show what part of the income for that year was from interest and dividends?

A. I think it does. I believe it does. Let me look at it.

XQ. If so, what does it show the income was?

A. It shows that the interest was \$1,376,276.44 [fol. 531]. Mr. Sobel: What exhibit are you referring to, Mr. Donohue?

The Witness: 43 for Identification. And it shows dividend income of \$289,871.67.

XQ. In other words, something over one million five hundred thousand was from interest and dividends?

A. That is right.

XQ. For that year?

A. Yes.

XQ. Does it show what the amount of income was from the travel operations?

A. Yes, it does.

XQ. What does it show?

A. \$198,853.44.

That I might say - taking my mind back to 1944 - is probably all made up. I am not clear on that at the moment, of gross income. It may not be net income.

XQ. Does not the statement show whether it is gross, or net?

A. The income and expenses are shown separately.

XQ. Will you look at the figure \$198,853.44. Can you tell me from that statement whether that is net, or gross?

A. I think that it is net. I think it is net.

XQ. All right. How much is shown there for foreign exchange?

[fol. 532]. A. Nothing is shown for foreign exchange.

XQ. That is not separated?

A. That is right.

XQ. How much for money orders?

A. Not separated.

XQ. How much for utility bill collections?

A. Not shown separately.

XQ. International freight forwarding?

A. Not shown separately.

XQ. Foreign remittances and exchanges?

A. Not shown separately.

XQ. What about travelers checks?

A. Not shown separately.

XQ. What is the total net income shown for that year?

A. \$1,969,558.15

XQ. If you will pardon me a minute I want to make a little computation.

According to my computation it shows something in the neighborhood of \$165,000 profit; that would be from travel operations, foreign exchange, utility bill collections, travelers checks, money orders, foreign remittances, and international freight forwardings; is that right?

A. Those are your calculations; not mine.

XQ. They are my calculations. All right.

A. And not taken from the financial statements, [fol. 533] because I have those in front of me.

XQ. I thought you said the interest was \$1,346,000.

A. That is right.

XQ. That the dividends were \$289,000.

A. That is right.

XQ. And that the travel operations were \$198,853.

A. That is right.

XQ. And I figure the total of this is \$1,803,000, approximately.

A. That is probably right. That seems right.

XQ. You would accept that?

A. Yes.

XQ. You told me that the total net income was \$1,969,000, didn't you?

A. That is right.

XQ. Deducting \$1,803,000 from \$1,969,000, you would have, roughly, \$165,000, wouldn't you?

A. No. You are getting now, Mr. Yowell, into the point I raised some few minutes ago.

To get the difference between income—which to us is a total, that comes in—and net income—which is, what is left over after you deduct expenses; for instance, in this statement that I am looking at there is shown as income \$4,227,000 but there are also shown as salaries and wages—and I am only taking two items, at the moment [fol. 534] \$2,390,000. So that you cannot take part of it and deduct it from a net figure.

XQ. That \$1,969,000 net income is a net figure, is it not?

A. That is right. That is all income, less all expenses.

XQ. Yes. The \$1,346,000 interest income, is that gross?

A. That is gross. That would have, in the expense side,



the salaries and costs in connection with the servicing of the investments, and the net income.

XQ. The dividend income, \$289,000, is that gross, or net?

A. That is gross.

XQ. You said the \$198,000 for travel operations was net?

A. I said I thought it was net. I am not clear, today, as to whether it is.

XQ. You cannot tell from the statement?

A. You cannot tell, from the statement.

XQ. Would it be fair to say that, from this statement, the income from the money order business is a rather small part of the gross income?

A. I could not tell you that.

XQ. Can you tell, from any of the statements prepared by you, what part of the income was from operations within the State of Illinois?

A. No.

[fol. 535] Mr. Yowell: That is all.

Re-direct examination.

By Mr. Soole:

R DQ. How long have you been a public accountant?

A. Oh, nineteen years.

R DQ. How long have you been connected with Haskins & Sells?

A. Twenty-seven years.

R DQ. How long have you been a partner there?

A. Twelve years.

R DQ. In connection with these exhibits that you testified to, were you the partner in charge of those auditing operations shown by those exhibits that you have referred to?

A. Yes; they were prepared under my general supervision.

Mr. Soole: That is all.

Mr. Yowell: That is all.

[fol. 536] NORMAN F. PAGE, of lawful age, called as a witness on behalf of defendants, being first duly sworn by Albert Gerber, notary public; testified as follows:

Direct examination.

By Mr. Sobel:

Q. Would you be good enough to state your name?

A. Norman F. Page.

Q. Your residence, Mr. Page?

A. New York City.

Q. Your present connection with the American Express Company.

A. Senior vice president and secretary and director.

Q. How long have you held that office approximately?

A. Director, 1951; senior vice president, 1952; secretary, 1953.

Q. How long have you been with the company?

A. Twenty-seven years.

Q. You are in charge of the current records, minutes and archives, are you, sir?

A. I am.

Q. I will ask you whether at the request of the Attorney General or someone acting for him you have examined the minutes of the American Express Company, the same company that we have been talking about by that name, in quest of a minute or other official company record reflecting the initiation of the money order business of that company.

[fol. 537] I did.

(There was discussion off the record.)

Mr. Yowell: I will agree that the American Express Company was regularly and generally engaged in the business of selling money orders as early as 1882.

Mr. Sobel: All right. That is all. You don't have any cross examination of this witness?

Mr. Yowell: No.

[fols. 538-542] NOTARIAL CERTIFICATE

[Omitted in printing]





and take the interest and shares of said deceased shareholder, by paying to the owner thereof the actual value thereof at the time of the decease of such shareholder, to be determined in the manner provided by the Eighth Article hereof.

#### Article XI.

It is further agreed, that all conveyances of real estate for the use of this Company, shall be taken in such manner as shall be prescribed by a vote of two thirds of the Directors, or as shall be provided by law.

#### Article XII.

The capital, property, business and affairs of this Company shall be controlled, managed and conducted by a Board of not less than seven nor more than thirteen Directors and Henry Wells, Charles P. Ross, William G. Fargo, William C. Beardsley, Edward A. Judson, William H. Seward Jr., James C. Fargo, John N. Knapp, Johnston Livingston, Clinton D. Backus, James M. Thompson and Theodore H. Pomeroy, shall be the Directors of this Company for one year and until others shall be chosen in their stead as is hereinafter provided, and each of whom shall be required to be as a condition of his capacity for such trust the owner and holder of One Hundred shares in this Company within thirty days after the scrip thereof shall be ready for delivery.

It being further understood and agreed, that in case a vacancy shall occur in said Board by death, resignation, incapacity or otherwise, prior to or in the interval of any election by the shareholders such vacancy may be filled by said Board of Directors, who may elect by ballot, any shareholder who shall hold the power and holder of One hundred shares in this Company such Director.

WGS It is further agreed, that in case any



director shall become permanently incapable for any cause, of transacting ordinary business, or shall be absent from the United States of America for more than twelve months without leave of the Board of Directors, or shall cease to be a shareholder in this company, his office as Director shall become vacant.

### Article XIII

The officers of this company shall be a President, Vice President, Secretary, Treasurer, and General Superintendent who shall respectively be elected by the said Board of Directors by a vote of a majority thereof, and who shall hold their offices, respectively, until removed by a vote of two thirds of the whole number of such Board, or until the office of such person as Director of said company or said company shall cease by operation of any of the causes in these articles of agreement specified, and any vacancy in either of said offices may be filled by said Board of Directors by a vote of a majority of the whole number thereof.

### Article XIV

It is further agreed that whenever any number of shareholders, owning and holding a majority of the shares in this company, shall unite in presenting to the Secretary a written request for an election of Directors, it shall be the duty of such Secretary to call a meeting of the shareholders for that purpose by a notice of at least sixty days, stating therein the time place and purpose of said meeting. The manner of serving said notices shall be prescribed by the Board of Directors, who shall also appoint the paper inspectors and make all other needful rules and regulations to such election appertaining, said election shall be by ballot, and each shareholder shall be entitled to as



many votes, either in person or by proxy, as his own shares in this Company. But it is hereby expressly understood and agreed, that but one such election shall be held in any one year.

### Article XV.

The Directors of this Company or a majority of them, except as herein otherwise specially provided are hereby authorized and empowered to cause to be done and executed, the objects, undertakings and business, specified contemplated or intended in these Articles; and further to do and execute all and every authority, power and thing, within the general scope and purpose of this Company which might or could legally be done by all the joint Associates if present and acting. And with this intent and meaning said Board of Directors shall have power to make all necessary rules, regulations and by-laws, for their own government and for the regulation and government of the business of this Company, and for the safe keeping, sale or other disposal of its property and effects. And the said Board of Directors in and by such rules, regulations and by-laws, shall have power to delegate to any one or more members thereof to be by them designated and appointed for that purpose all power and authority necessary to carry into effect any arrangement, contract or agreement made with any other company or companies relative to the business of said Company and to prescribe the mode and manner of the execution thereof. It being however expressly understood and provided, that no Director shall use or employ the money credit or name of this Company otherwise than in its legitimate business. Nor shall any shareholder or other person, unless duly authorized by the Board of Directors, use or sign the name of this Company. And said Board of Directors are hereby auth-



created and empowered to make demand and collect as hereinbefore mentioned, any and all assessments that may be requisite to pay any and all losses, damages, expenses or other liabilities that may be incurred or which shall accrue in the prosecution of the legitimate business and objects of this company. They shall appoint all such officers, agents and servants as they may deem requisite, prescribe their occupations, powers, duties and compensation, and at their discretion remove and discharge the same. They shall also prescribe the duties and services of any one or all of its own members to be rendered in and about the business of this company, and determine and fix the compensation to be paid therefor. They shall meet together for consultation relative to the business and affairs of this company and at such meetings a majority of the whole number shall constitute a quorum. They shall keep a record of their proceedings, and in all cases of difference of opinion a majority of those present shall decide and control, except as herein provided. They shall cause to be kept, all proper stock and Transfer Books, Books of Account, contracts and other important records.

They shall cause quarterly reports to be made and entered in a Book to be kept for that purpose with the Treasurer or Secretary, containing a clear and simple statement of the business and affairs of this company, showing its earnings and expenses, profits and losses, cash in hand, property assets and debts, which said report, together with all books of account and other records, shall at all reasonable times be open to the inspection of any of the shareholders.

They shall also have power from time to time to declare and pay dividends out of the net



N. 11/16/54

STATE OF NEW YORK, COUNTY OF NEW YORK.

I, ARCHIBALD R. WATSON, County Clerk and Clerk of the Supreme Court, New York County, do hereby certify that I have compared the attached paper, consisting of **21** pages with the original thereof filed in my office and that same is a correct transcript of the original and of the whole thereof.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal.

NOT VALID WITHOUT  
SEAL UPON EACH PAGE

*Archibald R. Watson*  
COUNTY CLERK AND CLERK OF THE SUPREME COURT, NEW YORK COUNTY

That Thomas G. Platt appeared to me and subscribed the foregoing Certificate, as the President of the United States Express Company, the association appeared to me and Theodore T. Wood appeared to them and who signed the same as the Treasurer of said association that he has read the said Certificate and knows the contents thereof and that the same is true.

Subscribed before me this } T. G. Platt  
27th day of January 1887 } Theodore T. Wood  
Frederick H. Platt

(Notary Public (N.Y.))

(Seal) New York County

Filed & Recorded 29 Jan'y 1887 12K 11310

Company Articles of Merger and Association made and  
incorporated into this treaty with date of November One  
& 1887 thousand eight hundred and sixty eight

*W. H. D.*

Between

The American Express Company,

and

The Merchants Union Express Company

Whereas The above named Companies have been and now are engaged in a general Express business upon various lines of travel and Carriage, and in many cases upon Commodities of travel and carriage, and with offices for the transaction of their business at many common points and places and Whereas the expenses attending the transaction and management of the business of the said Companies are so large as to make it impossible that the said business can be carried on with any considerable profit to the shareholders in either of the said Companies, and

Whereas it is deemed by the Directors of the American Express Company and the Executive Committee of the Merchants Union Express Company for the interests of the shareholders in



both of the said companies, that an arrangement be made by which the expenses of doing the said business shall be largely reduced, and and that the interests of the Shareholders in both of said companies will be best promoted by the merger of the said two companies into one company as hereinafter provided, and the consolidation of the stock of the said two companies into one consolidated stock.

Now Therefore, this agreement made by and between the said two companies, under and by virtue of the power and authority conferred upon the Managing Officers thereof in and by the Articles of Association of the respective companies and the consent in writing of a majority in interest of the Shareholders in each of said companies.

Witnesseth

#### Article I

That the said two companies shall be and they are hereby merged into one company except as provided in the Twenty first section of these articles and the American Express Company by its Directors and the Merchants Union Express Company by its Executive Committee do hereby prescribe the following terms, conditions and stipulations for the mode of carrying the said merger into effect.

#### Article II

The name of the Company hereby formed shall be the American Merchants Union Express Company.

#### Article III

The business of this Company shall commence on the First day of December in the year One thousand eight hundred and sixty eight and the said Company shall continue and be in existence for and during the term of Twenty years from said last mentioned day.



the same shall <sup>be</sup> sooner dissolved by law or by a vote of the Directors thereof as hereinafter provided, or unless the same shall be continued for a longer period, and from time to time by the unanimous vote of the Board of Directors, or by the consent or request in writing of a majority in interest of the shareholders, in which latter case the Board of Directors shall by resolution, determine and fix the term so authorized by the shareholders.

#### Article IV.

The capital, property and interests of this Company shall be divided into and held in shares valued for the purposes of this agreement at one hundred dollars each.

The number of said shares being hereby for present purposes fixed and limited at one hundred and eighty thousand,

It being however expressly understood and agreed, that the number of said shares so representing the capital, property and interests of this Company, may from time to time be increased or decreased by the unanimous vote of the Board of Directors, or by the consent or request in writing of a majority in interest of the shareholders. In case such consent or request in writing shall be procured, the Directors may by a majority vote, increase or decrease the said shares according to the terms of such consent or request.

#### Article V.

The shares of stock of each of the Companies parties hereto, shall be converted into the Capital stock of the Company hereby formed as follows.

The Capital stock of each of said Companies for the purposes of this consolidation and merger, is estimated and deemed to be the sum of Five Millions of dollars, the said sum of Five Millions of dollars being the now outstanding amount at par of the capital stock of the



American Express Company, and the said sum of Nine Millions of dollars being the present capital stock of the said Merchants Union Express Company, as reduced by the Executive Committee of said Company pursuant to law in place of the Eighteen Millions of Original stock of said Company now outstanding.

There shall be issued to the shareholders in the American Express Company, the sum of Nine Millions of dollars of the capital stock of this Company, to be divided among them equally in proportion to the amount of stock held by them in that Company, severally upon surrender by them of the certificates of shares held by them severally in that Company.

There shall be issued to the shareholders in the Merchants Union Express Company, the sum of Nine millions of dollars of the capital stock of this Company, which shall be divided among them as follows: Each shareholder therein shall be entitled to receive a share in this Company, upon the surrender of two shares of the Original Stock in that Company, or, one share of the reduced stock of said Company, and upon the payment to this Company of Five dollars each upon such original shares, or Ten dollars each upon such reduced shares, And in case any shareholder in said last named Company shall fail to make such exchange and pay said last named sum within three months from the first day of January, next, the Directors of this Company shall have power to declare any shares not so exchanged forfeited to the use of this Company, and it shall be the duty of the Executive Committee of said last named Company to declare such forfeiture in case they shall be requested so to do by the Directors of this Company.



## Article VI.

The interest of the shareholders in this Company shall be represented by proper certificates in which shall be specified the number of shares to which the holder thereof is entitled. That each share is subject to such assessments as may from time to time be required and made by the Directors to pay any losses, damages, expenses or other liabilities which may accrue in the prosecution of the legitimate business of this Company. They shall also specify the date of the organization of this Company and the term of its duration, and also, that the transfer of said share or shares or the interest thereby represented, may be objected to be the Board of Directors of this Company in which case the same shall be purchased at its real value to be determined as hereinafter mentioned, for the benefit of this Company. They shall also contain a stipulation that the persons receiving the same from this Company, shall thereby become members of this Company, subject to all the conditions and stipulations herein contained, and also subject to the debts and liabilities, and entitled to all the benefits of any other member as full in all respects as though they had signed these articles, and that every assignee thereof shall receive the same, subject to all such conditions and stipulations, and all such liabilities arising from and after the time of such assignment, as fully in all respects as though they had signed these articles.

They shall be signed by the President and Secretary of this Company, and countersigned by the Treasurer thereof.

## Article VII.

The shares in this Company shall be assignable in the usual form either in person or by attorney, subject to the conditions herein



contained but no transfer shall be valid, so as to discharge the assignor from subsequent liability, as a member of this Company, until made as herein provided and entered on the Transfer Book, to be kept by the Treasurer thereof, and the assigned scrip surrendered. In case any share or interest in this Company shall be assigned or transferred by operation of law, or in case the transfer of any share or shares shall be objected to by the Directors, then and in such case the Board of Directors, ~~then and in such case~~ of this Company shall have the right to purchase and take for the use and benefit of this Company the interest and shares so assigned or transferred, or the transfer of which shall have been so objected to, by paying to the person owning or representing such share or interest, the actual market value thereof, and if the said value cannot be agreed upon by the said Board and the person owning or representing such interest or shares, then the value thereof shall be determined by three disinterested persons, one to be chosen by the Board of Directors and one by the person or persons owning such shares, and the third by the two persons so chosen, and in case of disagreement among said appraisers, the decision of two of the persons so chosen shall be binding upon all the parties. In case said Board of Directors shall refuse to purchase and pay for said shares the value thereof so found and determined, said proposed sale thereof may be made by the holder thereof, and the transfer thereof shall be properly entered upon the Transfer Book.

The assignment or transfer by any member of this Company of his interest therein, shall discharge him from any liability arising previous to the date of such transfer upon



The Stock of this Company. Nor shall any assignment or transfer of any such share or shares be made while any assessment shall remain unpaid thereon, nor while the owner thereof prior to such assignment shall be indebted to this Company or in any way liable to it, and this Company shall have a lien and claim upon the shares of any shareholder indebted to or in any way liable to it, upon any account whatever, for the amount of such indebtedness or liability.

### Article VIII.

It is further agreed, that in case of the refusal or neglect of any shareholder for thirty days to pay and full discharge any assessment made by the Board of Directors as herein provided at such time and place as such Board may direct, the whole or so many of his shares as may be requisite to pay such assessment, or any part thereof, may be taken and sold by said Board of Directors at public or private sale, without notice to such shareholder. It being however expressly understood and agreed, that this Company may prosecute, sue for and recover any and every such assessment or assessments, or any deficiency that may remain after applying the proceeds of such sale.

It is also understood and agreed, that in any action or legal proceeding against any shareholder upon any liability of such shareholder to said Company, the statement of the grounds, particulars and amount of such liability made by the Directors, authenticated by the signature of the President and delivered to the party chargeable before suit, shall be prima facie evidence of such liability and its amount, as the statement of a mutual agent.

### Article IX.

And The business and scope of this Company shall



include the various objects, affairs, business and undertakings hereinbefore specified, the purchasing, receiving, selling, insuring and forwarding on commission and for hire, and otherwise, of money, bullion, gold and silver coin, bank bills, drafts, bills of exchange or other property, things or freight not by law prohibited and such express, forwarding, commission or exchange money and agency business as is usually done by Express Companies or Brokers or Commission Merchants or as may be deemed expedient, and from time to time determined and directed to be done by resolution of the Board of Directors of this Company, and with the intent and for the purpose of carrying on and transacting the business and undertakings in these Articles mentioned and referred to this Company shall have, write, purchase, hire, rent, own and hold all necessary real and personal property, buildings, storerooms, offices, railway cars, steamboats, vessels, wagons, carriages, sleighs and horses, together with all property, conveniences or other things requisite in the judgment of the Board of Directors, for carrying on and transacting such business and undertakings.

#### Article X

It is further agreed, that neither the death nor the legal incapacity of any shareholder in this Company, nor the transfer or assignment of the interest of any shareholder therein shall work a dissolution of this Company, but the same shall continue as if no such death, incapacity, transfer or assignment had taken place, or been made.

It is further agreed, that in the case of the death of any shareholder in this Company, the Company shall have the right to purchase



expunge of this Company or out of the proceeds of the sale of any of its effects, or both.

Provided however and it is hereby declared that said Directors shall not pay dividends on any fractional parts of shares in this Company; neither shall any dividend be made so as to reduce the substantial assets of this Company below the value of Five Millions, Three hundred thousand dollars, of which at least twenty five per cent shall be in cash or in available cash securities and the balance thereof invested in real estate, equipments and out fit.

They may call meetings of the shareholders at their discretion, and it shall be their duty to call any such meeting whenever requested so to do by a majority in interest of the shareholders.

They shall also have power by a unanimous vote of their number, to purchase any other express company or companies, and to make any and all arrangements, contracts and agreements relative to the business of said companies, or relative to any connection therewith, division of freight or profits, or tariffs of rates for carrying on said business, and to create any new line or lines, and to sell out or exchange any line or lines, and to sell and dispose of and convey any portion of the property of this Company and its good will to any other company or individual; and to merge or consolidate this Company with any other Express or Transportation Company or companies, upon such terms and conditions as they shall think best for the interests of the shareholders, whenever they shall deem it for the best interests of the shareholders of this Company.

Provided however, and it is hereby expressly understood and agreed, that nothing herein contained shall authorize said Directors, except by a unanimous vote, to do any act whereby this Company shall be merged in or

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consolidated with, any other company, or in any way diminish or limit the general scope of the operations of this company, without first obtaining the written consent of a majority in interest of the shareholders. In which case the Directors may by a majority of their number make such merger or consolidation, or other agreement, with any other express company or companies, or so diminish or limit the general scope of the operations of this company as in their judgment, shall be for the best interests of the shareholders of this company. They may by a three-fourth vote change their number, but the same shall not be reduced below seven, nor increased beyond thirteen, and in case of such decrease may designate ~~may designate~~ the name of any then existing director whose office shall terminate, and thereupon the term of office of the Director or Directors so designated shall cease, and no successor shall be elected to fill the same, and in case of such increase the said Board may proceed to fill the offices so created in the manner hereinbefore provided in the Amended Article fourth. They are also authorized by a vote of two thirds of their number to purchase any share or shares of the stock of this company for the use of this company, and to sell and dispose of any share or shares that may be forfeited to or purchased by this company under the provisions contained in these Articles.

The said Board of Directors shall also have power whenever it may be deemed for the best interests of this company, by a resolution passed by a unanimous vote of the members thereof, to dissolve this company.

They are also authorized to dissolve this company by a vote of a majority of their number, upon first procuring the written



consent or request of a majority in interest of the shareholders, that the same be dissolved.

And in case of the dissolution of this Company said Directors are hereby expressly authorized by themselves, or by their Attorney or Attorneys, to adjust settle and liquidate the business and affairs thereof.

#### Article XVI.

The principal office of this Company shall be located in the City of New York, or at such other place as the Board may from time to time direct by a unanimous vote, in which office shall be kept its stock and Transfer Books and principal Books of Account and other records together with all securities held by said Company and all the moneys of said Company not otherwise invested shall be deposited in such Bank in the City of New York, as shall be directed by the Board of Directors.

And all meetings of the Board of Directors shall be there held unless otherwise ordered ~~ordered~~ by said Board.

Meetings of the Board of Directors may be ~~held~~ called at any time by the President of this Company and it shall be his duty to call such meetings whenever requested in writing so to do by any two members of said Board of Directors, said meetings may likewise be called by any two members of said Board by a notice to be signed by themselves. Adequate and reasonable notice shall be given of all such meetings to every member of said Board in the manner to be prescribed by Resolution of the Board of Directors.

#### Article XVII.

All contracts, powers of attorney or other sealed instruments, except deeds of real estate and leases, shall in the absence of any direction of the Board of Directors to the contrary, be signed by the President and Secretary and countersigned by the Treasurer of said Company. And all contracts



or actions shall be prosecuted in the name of the President in all states and places where it can legally be done.

### Article XVIII

The American Express Company does hereby grant and convey to this Company All and Singular, the property, choses in action and effects particularly described in Schedule A hereto annexed, except the real estate therein described which is this day conveyed to this Company in the name of its President.

The Merchants Union Express Company does hereby grant and convey to this Company All and Singular, the property, choses in action and effects particularly described in Schedule B hereto annexed, except the real estate therein described which is this day conveyed to this Company in the name of its President.

The said two Companies do hereby severally assign and transfer to this Company, all their interest in a certain contract between said two Companies, and the Adams and United States Express Companies. Dated December 21 1864 and in the contract supplementary thereto, dated October 2nd 1868. They also assign and transfer to this Company any and all existing contracts with Railroad Companies.

### Article XIX

It being understood that the services of a large number of men now in the employ of the two Companies will not be required in the management of the business of this Company, it is agreed that upon the lines and at points now occupied by both of said Companies, one half of the persons as near as may be, rank and compensation being duly considered, shall be selected from the persons in the employ of each Company in case so many shall be found who



shall be fit and proper persons to be continued in such employment, But nothing herein contained shall be construed to prevent the Board of Directors from terminating the employment of any such person or persons at its discretion, and all such persons shall be subject in all respects to the rules, regulations and bylaws which may be prescribed pursuant to the provisions of Section Fifteen. And that upon the time and at points occupied by either company exclusively the persons now employed by such company shall be retained in case such persons shall be fit and proper persons to be continued in such employment.

#### Article XX

It is further agreed that each of the said companies shall pay and fully discharge all debts and liabilities which it owes or has incurred upon any account whatever.

#### Article XXI

But it is expressly understood and agreed that the parties hereto, hereby each reserve the right to retain and exercise its separate existence as a company and all its rights and powers under their several articles of association so far as to enable it to collect all debts due or owing it to sell and dispose of all property held or owned by it and to settle and adjust all matters between it and its shareholders and creditors notwithstanding any thing hereinbefore contained.

#### Article XXII

It is expressly agreed and declared as a condition precedent to any claim to be made by any shareholder or by any one claiming any right or interest in any shares or in the joint property of this company or in any gains profits or losses thereof, that no claim shall



be made to withdraw any part of the capital or of its increase or profits, or demand any account in relation thereto, or to make any claim whatever on this company or its property otherwise than according to these articles, except in case of manifest or intentional fraud in the Directors. And if any such claim shall be made, this article shall be deemed an absolute bar thereto.

### Article XXIII

It shall be competent for the said Board of Directors by a unanimous vote of all the members thereof at any time to change, alter or amend these Articles of Agreement or any of the provisions thereof in such manner, not inconsistent with the general scope and intent of these articles, as they may deem expedient for the more effectual promotion of the interests of this Company.

Witness Their Signatures hereto of the Directors of the American Express Company and of the President of the Merchants Union Express Company the day and year first above written.

Edw. B. Judson	Henry Wells, President	} Directors of the American Express Company
Alex. Halland	Wm. G. Fargo Jas C. Fargo	

The Merchants Union  
Express Company

By

J. C. P. Rose

President

The undersigned members of the Executive Committee of the Merchants Union Express Company approve the execution of the above contract.



Thos. H. Remney,  
 W. L. Beardsley,  
 J. V. Knapp,  
 W. H. Seaward Jr.,  
 E. J. Buckner,  
 E. P. Ross.

Amendment to Articles of Association of  
 American Merchants Union Express Company  
 Adopted November 20th 1872

To take effect February 1st 1873.

Extract, Proceedings of the Board of Directors  
 of the American Merchants Union Express Company  
 at a meeting thereof held at their General Office  
 in the City of New York, November 20th 1872.

On motion of Mr. Knapp the following preamble  
 and Resolution, presented by Mr. Remney, were  
 unanimously adopted.

Whereas all the purposes contemplated by the  
 merger of the American and Merchants Union  
 Express Companies which was made on the 25th day  
 of November 1868, have been successfully accom-  
 plished and all the stock of said pre-existing  
 companies has been voluntarily surrendered  
 and new stock received therefor in the name of  
 the consolidated company. And Whereas  
 in the practical workings of said company  
 the name adopted at the time of such consol-  
 idation has been found cumbersome and incon-  
 venient, and it is believed that the best  
 interests of the company would be promoted by  
 adopting a shorter name. And Whereas the  
 name of the American Express Company,  
 adopted by one of the pioneers in the business  
 and long and favorably known to the business  
 public, is believed to be better than any new  
 name that could be devised and as the one  
 which naturally suggests itself for permanent

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a doption. It is therefore, by virtue of the power conferred upon the Board of Directors by the Articles of Association of the American Union Express Company, unanimously

Resolved, that Article Second of the Articles of Merger and Association made and entered into the 25th day of November One thousand Eight Hundred and Sixty eight between the American Express Company and the Merchants Union Express Company be amended by striking out the words "Merchants Union" in the name of the Company so that the name of the Company shall be from and after the first day of February 1873 "The American Express Company" instead of the American Merchants Union Express Company and that such change be without prejudice to the rights and obligations of the Associates and each of them, and that this resolution be strictly construed not to effect in any manner whatever the business affairs or articles of Association or the Organization of this Company except to change the name as aforesaid; and that under the name of The American Express Company all the business operations and concerns of this Company contemplated and provided for in the said Articles of Merger and Association shall be from and after the said first day of February 1873 conducted and carried on, on which day this amendment is to take effect, and that the stockholders of this Company be requested to surrender the scrip of their shares of stock and receive new scrip for the same in the name of the American Express Company and that this Company take the necessary steps to notify the shareholders and call in the stock, and issue the new scrip to the several parties in interest.



By direction of the President, the Secretary called the roll of the Directors when the following named Directors as their names were called voted in the affirmative on the adoption of the foregoing Preamble and Resolution,

Missrs Paige Mills, Whitney, Knapp, Backus, Holland, Burdette, Clark, Judson, Livingston, Ross, Pondrey and Knapp.

There were no votes in the negative and the Amendment was thereupon adopted, in conformity with the provisions of the Articles of Association which provide that they may be amended by the unanimous vote of all the Directors of the Company.

I hereby certify that the foregoing is a true copy extract from the approved minutes of the proceedings of the Board of Directors of the American Merchants Union Express Company at a meeting thereof held at their general office in the City of New York on the 20th day of November A.D. 1872.

John Knapp  
Secretary

Recorded 16th May 1884 as of Magabois Schedule  
Atty 4713.

We the undersigned, Henry Baxter, The Vice President and Solomon W. Johnson the Treasurer of The American News Company, a joint stock association of the City of New York, do certify as follows:

First, That the name of the said Association is "The American News Company."

Second, That the said Association was organized on the First day of February in the year One thousand eight hundred and sixty four.

Third, That the said Association was organized under Chapter 258 of the laws of 1849 of the State



## Defendant's Exhibit 2

STATE OF NEW YORK, COUNTY OF NEW YORK.

I, ARCHIBALD R. WATSON, County Clerk and Clerk of the Supreme Court, New York County, do hereby certify that I have compared the attached paper, consisting of **35** pages, with the original thereof filed in my office and that same is a correct transcript of the original and of the whole thereof. IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal

NOT VALID WITHOUT  
SEAL UPON EACH PAGE

*Archibald R. Watson*  
COUNTY CLERK AND CLERK OF THE SUPREME COURT, NEW YORK COUNTY.

## ARTICLES OF ASSOCIATION

AND

## BY-LAWS

OF THE

## AMERICAN EXPRESS COMPANY.

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1947

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PAGES: 35

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# ARTICLES OF MERGER AND ASSOCIATION

*Made and entered into the twenty-fifth day of  
November, one thousand eight hundred  
and sixty-eight,*

BETWEEN  
THE AMERICAN EXPRESS COMPANY  
AND  
THE MERCHANTS UNION EXPRESS COMPANY  
(as amended)

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WHEREAS, The above-named companies have been and now are engaged in a general Express business, upon various lines of travel and carriage, and, in many cases, upon common lines of travel and carriage, and with offices for the transaction of their business at many common points and places, and

WHEREAS, The expenses attending the transacting and management of the business of the said companies are so large as to make it impossible that the said business can be carried on with any considerable profit to the shareholders in either of the said companies, and

WHEREAS, It is deemed by the Directors of the AMERICAN EXPRESS COMPANY and the Executive Committee of the MERCHANTS UNION EXPRESS COMPANY, for the interest of the share-



holders in both of the said companies, that an arrangement be made by which the expenses of doing the said business shall be largely reduced, and that the interests of the shareholders in both of said companies will be best promoted by the merger of the said two companies into one company, as hereinafter provided, and the consolidation of the stock of the said two companies into one consolidated stock;

Now, Therefore, this agreement made by and between the said two companies, under and by virtue of the power and authority conferred upon the Managing Officers thereof in and by the Articles of Association of the respective companies, and the consent in writing of a majority in interest of the shareholders in each of said companies,

Witnesseth:

#### ARTICLE I

That the said two companies shall be and they are hereby merged into one company, except as provided in the twenty-second section of these Articles, and the AMERICAN EXPRESS COMPANY, by its Directors, and the MERCHANTS UNION EXPRESS COMPANY, by its Executive Committee, do hereby prescribe the following terms, conditions and stipulations for the mode of carrying the said merger into effect.

#### ARTICLE II

The name of the company hereby formed shall be the

American Express Company.



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ARTICLE III

The business of this company shall commence on the first day of December in the year one thousand eight hundred and sixty-eight; and the said company shall continue and be in existence for and during the term of thirty years from said last mentioned day, unless the same shall be sooner dissolved by law or by a vote of the Directors thereof, as hereinafter provided, or unless the same shall be continued for a longer period, and from time to time, by the unanimous vote of the Board of Directors, or by the consent or request in writing, of a majority in interest of the shareholders, in which latter case the Board of Directors shall, by resolution adopted by a vote of a majority of their number, determine and fix the term so authorized by the shareholders.

ARTICLE IV.

The property and interests of this company shall be divided into and held in shares, valued for the purposes of this agreement at one hundred dollars each; the number of said shares being hereby for present purposes fixed and limited at one hundred and eighty thousand. It being, however, expressly understood and agreed that the number of said shares so representing the property and interests of this Company may from time to time be increased or decreased by the unanimous vote of the Board of Directors, or by the consent or request, in writing, of a majority in interest of the shareholders. In case such consent or request in writing shall be procured, the Directors may, by a majority vote, increase or decrease the said shares according to the terms of such consent or request.

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At a Special Meeting of Shareholders held November 21, 1950 Article IV was amended to read as follows:

#### "ARTICLE IV"

"The authorized capital stock of the company shall consist of 2,500,000 shares having a par value of \$10 per share (hereinafter called the \$10 par stock) and 180,000 shares having a par value of \$100 per share (hereinafter called the \$100 par stock).

"2,100,000 shares of the \$10 par stock shall be reserved exclusively for exchange, at such times and in such manner as the Board of Directors may designate, for outstanding shares of the \$100 par stock in the ratio of 11 2/3 shares of \$10 par stock for each share of \$100 par stock. All shares of the \$100 par stock acquired by the company upon any such exchange shall be cancelled and shall not be reissued or sold.

"The remaining 400,000 shares of the \$10 par stock may be issued or sold as provided in Article XVI hereof.

"Dividends on the capital stock of the company, liquidation rights thereon, and assessments made by the Directors thereon shall be shared or borne by the several shareholders in proportion to the aggregate par value of the shares held by each.

"In the event of any vote, consent, request or other similar action by the shareholders of the company, the vote or interest of the several shareholders shall be proportionate to the aggregate par value of the shares held by each.

"In no case shall fractional shares of stock be issued; in lieu thereof, there may be issued, in the discretion of the Board of Directors, scrip certificates entitling the holders thereof to exchange the same, with other scrip certificates aggregating one or more full shares, for shares of the \$10 par stock, but otherwise conferring upon such holder no other rights except such as may be specifically granted by said Board."

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ARTICLE V.

The shares of stock of each of the companies, parties hereto, shall be converted into the stock of the company hereby formed as follows:

The stock of each of said companies for the purposes of this consolidation and merger, is estimated and deemed to be the sum of NINE MILLIONS OF DOLLARS, the said sum of nine millions of dollars being the now outstanding amount at par of the stock of the said AMERICAN EXPRESS COMPANY, and the said sum of nine millions of dollars being the present stock of the said MERCHANTS UNION EXPRESS COMPANY, as reduced by the Executive Committee of said company pursuant to law, in place of the eighteen millions of original stock of said company now outstanding.

There shall be issued to the shareholders in the AMERICAN EXPRESS COMPANY the sum of nine millions of dollars of the stock of this company, to be divided among them equally, in proportion to the amount of stock held by them in that company severally, upon surrender by them of the certificates of shares held by them severally in that company.

There shall be issued to the shareholders in the MERCHANTS UNION EXPRESS COMPANY the sum of nine millions of dollars of the stock of this company, which shall be divided among them as follows:

Each shareholder therein shall be entitled to receive a share in this company upon the surrender of two shares of the original stock in that company, or one share of the reduced stock of said company, and upon the payment to this company of five dollars each upon such original shares, or ten dollars each upon such reduced shares. And in case any shareholder in said last named company shall fail to make such exchange and pay said last named sums within three months from the first day of January next, the Directors of this company



shall have power to declare any shares not so exchanged forfeited to the use of this company, and it shall be the duty of the Executive Committee of said last named company to declare such forfeiture in case they shall be requested so to do by the Directors of this company.

#### ARTICLE VI

The interest of the shareholders in this company shall be represented by proper certificates, in which shall be specified the number of shares to which the holder thereof is entitled. That each share is subject to such assessments as may from time to time be required and made by the Directors to pay any losses, damages, expenses or other liabilities which may accrue in the prosecution of the legitimate business of this company. They shall also specify the date of the organization of this company, and the term of its duration, and also that the transfer of said share or shares, or the interest thereby represented, may be objected to by the Board of Directors of this company, in which case the same shall be purchased at its real value, to be determined as hereinafter mentioned, for the benefit of this company.

Certificates  
of shares.  
What to con-  
tain. Per-  
sonal liabil-  
ity of share-  
holders.

They shall also contain a stipulation that the persons receiving the same from this company shall thereby become members of this company, subject to all the conditions and stipulations herein contained, and also subject to the debts and liabilities, and entitled to all the benefits of any other member, as fully in all respects as though they had signed these articles; and that every assignee thereof shall receive the same, subject to all such conditions and stipulations, and all such liabilities arising from and after the time of such assignment, as fully, in all respects, as though they had signed these articles.

~~They shall be signed by the President or Vice President and Secretary or Assistant Secretary of this company, and countersigned by the Treasurer or Assistant Treasurer thereof.~~

See attch  
in index

At a Special Meeting of the shareholders held November 21, 1950, the last paragraph of Article VI was amended to read as follows:

"They shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of this company, provided, however, that if any such certificate is signed by a transfer agent and by a registrar the signatures of any such President, Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer upon such certificate may be facsimiles, engraved or printed. In case any such officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such before such certificate is issued, it may be issued by the company with the same effect as if such officer had not ceased to be such at the date of its issue."

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## ARTICLE VII

Shares assign-  
able.

Transfer  
Agent.

Right of  
Company to  
purchase  
shares, and  
how exercised.

Personal lia-  
bility not  
discharged  
by assign-  
ment.

The shares of this company shall be assignable in the usual form, either in person or by attorney, subject to the conditions herein contained, but no transfer shall be valid, so as to discharge the assignor from subsequent liability as a member of this company, until the assigned certificates have been surrendered and until the transfer has been made as herein provided and entered on the Transfer Book to be kept by the Treasurer thereof, or by any bank or trust company appointed by the Board of Directors to act as transfer agent. In case any share or interest in this company shall be assigned or transferred by operation of law, or in case the transfer of any share or shares shall be objected to by the Directors, then, and in such case, the Board of Directors of this company shall have the right to purchase, and take for the use and benefit of this company, the interest and shares so assigned or transferred, or the transfer of which shall have been so objected to, by paying to the person owning or representing such shares or interest, the actual market value thereof, and if the said value cannot be agreed upon by the said Board and the person owning or representing such interest or shares, then the value thereof shall be determined and fixed by three disinterested persons, one to be chosen by the Board of Directors, and one by the person or persons owning such shares, and the third by the two persons so chosen, and in case of disagreement among said appraisers, the decision of two of the persons so chosen shall be binding upon all the parties. In case said Board of Directors shall refuse to purchase and pay for said shares the value thereof so fixed and determined, said proposed sale thereof may be made by the holder thereof, and the transfer thereof shall be properly entered upon the transfer book.



No transfer  
by share-  
holder in-  
debted to  
Company.

No assignment or transfer by any member of this company of his interest therein shall discharge him from any liability arising previous to the date of such transfer upon the books of this company. Nor shall any assignment or transfer of any such share or shares be made while any assessment shall remain unpaid thereon, nor while the owner thereof, prior to such assignment, shall be indebted to this company or in any way liable to it, and this company shall have a lien and claim upon the shares of any shareholder indebted or in any manner liable to it, upon any account whatever, for the amount of such indebtedness or liability.

### ARTICLE VIII.

Assessments,  
and sale of  
shares there-  
for.

It is further agreed that in case of the refusal or neglect of any shareholder for thirty days to pay and fully discharge any assessment made by the Board of Directors as herein provided, at such time and place as such Board may direct, the whole or so many of his shares as may be requisite to pay such assessment, or any part thereof, may be taken and sold by said Board of Directors at public or private sale, without notice to such shareholder. It being, however, expressly understood and agreed that this company may prosecute, sue for and recover any and every such assessment or assessments, or any deficiency that may remain after applying the proceeds of such sale.

Evidence.

It is also understood and agreed that in any action or legal proceeding against any shareholder upon any liability of such shareholder to said company, the statement of the grounds, particulars and amounts of such liability made by the DIRECTORS, authenticated by the signature of the PRESIDENT, and delivered to the party chargeable before suit, shall be *prima facie* evidence of such liability and its amount as the statement of a mutual agent.

## ARTICLE IX.

Rights of  
shareholders.

It is expressly agreed and declared as a condition precedent to any claim to be made by any shareholder, or by any one claiming any right or interest in any shares or in the joint property of this company, or in any gains, profits or losses thereof, that no claim shall be made to withdraw any part of the capital or of its increase or profits, or demand any account in relation thereto, or to make any claim whatever on this company, or its property, otherwise than according to these ARTICLES, except in case of manifest or intentional fraud in the Directors. And if any such claim shall be made, this article shall be deemed absolute bar thereto.

## ARTICLE X.

Business and  
Powers of  
Company.

The business and scope of this company shall include the various objects, affairs, business and undertakings hereinbefore specified, the purchasing, receiving, selling, insuring and forwarding on commission and for hire, and otherwise, of money, bullion, gold and silver coin, bank bills, drafts, bills of exchange or other property, things or freight not by law prohibited, and such other express, forwarding, commission, exchange, money and agency business as is or from time to time may be usually done by EXPRESS COMPANIES, or BROKERS, or COMMISSION MERCHANTS, or as may be deemed expedient, and from time to time determined and directed to be done by resolution of the Board of Directors of this company, and with the intent and for the purpose of carrying on and transacting the business and undertakings in these articles mentioned and referred to, this company shall have power to purchase, hire, rent, own and hold all necessary real and personal property, buildings, store-houses, offices, railway cars, steamboats, vessels, wagons, carriages, sleighs and horses, together with all property, conveniences or

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other things requisite in the judgment of the Board of Directors for carrying on and transacting such business and undertakings.

#### ARTICLE XI.

*It is further agreed*, that neither the death nor the legal incapacity of any shareholder in this company, nor the transfer or assignment of the interest of any shareholder therein, shall work a dissolution of this company; but the same shall continue as if no such death, incapacity, transfer or assignment had taken place or been made.

Death, etc.  
not to work  
a dissolution.

*It is further agreed*, that in case of the death of any shareholder in this company the company shall have the right to purchase and take the interest and shares of said deceased shareholder, by paying to the owner thereof the actual value thereof at the time of the decease of such shareholder, to be determined in the manner provided by the Seventh Article hereof.

Company's  
right to pur-  
chase shares  
on death of  
shareholder.

#### ARTICLE XII.

*It is further agreed*, that all conveyances of real estate for the use of this company shall be taken in such manner as shall be prescribed by a vote of two-thirds of the Directors, or as shall be provided by law.

Conveyances  
of Real  
Estate.

#### ARTICLE XIII.

The property, business and affairs of this company shall be controlled, managed and conducted by a Board of Directors of not less than seven nor more than twenty Directors, who shall hold office until other Directors are chosen in their stead as is hereinafter provided. Directors need not be shareholders.

Board of  
Directors.

They may from time to time by the affirmative vote of two-thirds of the members change the number of Directors constituting the Board, but the said number



Number of  
Directors.

shall not be reduced below seven. In case of a decrease, they may by such two-thirds vote designate the name of any then existing Director or Directors, whose office shall terminate, and thereupon the term of office of the Director or Directors so designated shall cease, and no successor shall be elected to fill the same; and in case of an increase the said Board may proceed to fill the offices so created in the manner herein provided.

Vacancies  
in Board.

It being further understood and agreed that in case a vacancy shall occur in said Board, by death, resignation, incapacity, increase in number of Directors, or otherwise, prior to or in the interval of any election by the shareholders, such vacancy may be filled by said Board of Directors.

*It is further agreed*, that in case any Director shall become permanently incapable, for any cause, of transacting ordinary business, or in case any Director shall be absent from the meetings of the Board, for more than twelve months continuously without leave of the Board, his office as Director may be declared vacant by the affirmative vote of two-thirds of all the other members of the Board.

Any Director may, with or without cause, and without notice, be removed from his office as Director by the affirmative vote of two-thirds of all the other members of the Board.

#### ARTICLE XIV.

Officers.

The officers of the company shall be a Chairman of the Board, a Vice Chairman of the Board, a Chairman of the Executive Committee, a President, such Vice-President or Vice-Presidents as the Board of Directors may from time to time deem necessary, a Secretary, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. The Chairman of the Board, the Vice Chairman of the Board, the Chairman of the

Executive Committee and the President shall be members of the Board of Directors. The officers of the company shall respectively be elected annually by said Board of Directors by the affirmative vote of a majority thereof at the first meeting of said Board of Directors in the month of January of every year. Such officers shall hold office until the election of their successors unless sooner removed by the affirmative vote of two-thirds of the whole number of such Board. Any vacancy in any of the offices created by this Article may be filled by the Board by the affirmative vote of a majority of the whole number thereof.

In case the office of President shall at any time become vacant, by reason of death, resignation or otherwise, or in case of the temporary inability of the President to perform the duties of his office by reason of absence or other disability, the powers and duties of the President shall be exercised by the Chairman of the Board of Directors or the Vice Chairman of the Board, or the Chairman of the Executive Committee, or shall devolve upon one or more of the Vice-Presidents in such manner and to such extent as may from time to time be determined by resolution of the Board of Directors or the Executive Committee.

### ARTICLE XV.

*It is further agreed*, that whenever any number of shareholders owning and holding a majority of the shares in this company, shall unite in presenting to the Secretary a written request for an election of Directors, it shall be the duty of such Secretary to call a meeting of the shareholders for that purpose, by a notice of not less than ten nor more than thirty days, stating therein the time, place and purpose of said meeting. The manner of serving said notices shall be prescribed by the Board of Directors, who shall also appoint the proper inspectors, and make all other needful rules and

Election of  
Directors by  
Shareholders.



regulations to such election appertaining. Said election shall be by ballot, and each shareholder shall be entitled to as many votes, either in person or by proxy, as he owns shares in this company. But it is hereby expressly understood and agreed that but one such election shall be held in any one year.

#### ARTICLE XVI

Powers and  
Duties of  
Directors.

The Directors of this company, or a majority of them, except as herein otherwise specially provided, are hereby authorized and empowered to cause to be done and executed, the objects, undertakings and business, specified, contemplated or intended in these articles, and further to do and execute all and every authority, power and thing within the general scope and purpose of this company, which might or could legally be done by all the joint associates, if present and acting. And with this intent and meaning, said Board of Directors shall have power to make all necessary rules, regulations, and by-laws, for their own government, and for the regulation and government of the business of this company, and for the safekeeping, sale or other disposal of its property and effects. And the said Board of Directors, in and by such rules, regulations and by-laws, shall have power to delegate to any one or more members thereof, to be by them designated and appointed for that purpose, all power and authority necessary to carry into effect any arrangement, contract or agreement made with any other company or companies, relative to the business of said companies, and to prescribe the mode and manner of the execution thereof.

It being, however, expressly understood and provided, that no Director shall use or employ the money, credit or name of this company otherwise than in its legitimate business. Nor shall any shareholder or other person, unless duly authorized by the Board of Directors, use or sign the name of this company, nor in any manner



pledge its credit, nor have power to create any obligation against the same. And said Board of Directors are hereby authorized and empowered to make, demand and collect, as hereinbefore mentioned, any and all assessments that may be requisite to pay any and all losses, damages, expenses, or other liabilities that may be incurred, or which shall accrue in the prosecution of the legitimate business and objects of this company.

They may from time to time prescribe the occupations, powers, duties and compensations of the officers mentioned in the Fourteenth Article hereof.

They shall prescribe the duties and services of any one or all of their own members, to be rendered in and about the business of this company, and determine and fix the compensation to be paid therefor.

They may themselves appoint all such subordinate officers, agents and employees as they may deem requisite, prescribe their occupations, powers, duties and compensations, and at their discretion remove and discharge the same; or they may in and by the rules, regulations and by-laws aforesaid provide for the appointment, removal and discharge of all such subordinate officers, agents and employees and the regulation and determination of their occupations, powers, duties and compensations.

They shall meet together for consultation relative to the business and affairs of this company, and at such meetings a majority of the whole number shall constitute a quorum. They shall keep a record of their proceedings, and in all cases of a difference of opinion a majority of those present shall decide and control, except as herein provided. They shall cause to be kept all proper stock and transfer books, books of account, contracts, and other important records. They shall cause quarterly or other periodic reports to be made of the business and affairs of this company, showing its earn-

ings and expense, profits and losses, cash in hand, property, assets and debts, which said reports, together with all books of account and other records, shall at all reasonable times be open to the inspection of any of the shareholders. They shall also have power from time to time to declare and pay dividends out of the net earnings of this company, or out of the proceeds of the sale of any of its effects, or both; *Provided, however,* and it is hereby declared, that said Directors shall not pay dividends on any fractional parts of shares in this company; neither shall any dividend be made so as to reduce the substantial assets of this company below the value of FIVE MILLIONS, THREE HUNDRED THOUSAND DOLLARS, of which at least twenty-five per cent. shall be in cash or in available cash securities, and the balance thereof invested in real estate, equipments and outfit.

They may call meetings of the shareholders at their discretion, and it shall be their duty to call any such meeting whenever requested so to do by a majority in interest of the shareholders.

They shall also have power to purchase any other Express Company or companies, and to make any and all arrangements, contracts and agreements relative to the business of said companies, or relative to any connection therewith, division of freight or profits or tariffs of rates for carrying on said business, and to create any new line or lines, and to sell out or exchange any line or lines, and to sell and dispose of and convey any portion of the property of this company and its good will to any other company or individual, and to merge or consolidate this company with any other Express or Transportation Company or companies, upon such terms and conditions as they shall think best for the interest of the shareholders, whenever they shall deem it for the best interests of the shareholders of this company; *Provided, however,* and it is hereby expressly understood and agreed, that nothing herein contained

shall authorize said Directors except by a unanimous vote, to do any act whereby this company shall be merged in or consolidated with any other company or whereby the entire property, business and goodwill of this company shall be disposed of to any company or individual, without first obtaining the written consent of a majority in interest of the shareholders. In which case the Directors may by a majority of their number make such merger or consolidation, with any other Express Company or companies, or so dispose of said entire property, business and goodwill, as in their judgment shall be for the best interests of the shareholders of this company.

They are also authorized to invest the assets of this company in real estate, or in equipment or outfit, or in such stocks, bonds, mortgages, notes or other securities, as may be deemed desirable for purpose of investment, or be deemed conducive to the furtherance of the business of the company; and may from time to time sell and dispose of any of such investments, and re-invest the proceeds thereof, and may anticipate the sale of any of such investments, by the hypothecation thereof to secure the purchase money of any other of such above-named securities as the said Board may choose to purchase upon the credit of this company, and such purchases and sales may include the stock of this company: the intention hereof being to give to said Board full authority for investment, in its discretion, of all the moneys of this company, with power to purchase any securities upon credit if deemed advisable, and to hypothecate at any time any or all of its securities in maintenance of such credit.

Said Board may also subscribe in the name of this company for stock or bonds of any railroad in process of construction, or of any other uncompleted enterprise, when believed to be in furtherance of the business interests of this company. They are also authorized to



sell and dispose of any share or shares of the stock of this company that may be forfeited to or purchased by this company under the provisions contained in these Articles.

The said Board of Directors shall also have power, whenever it may be deemed for the best interests of this company, by a resolution passed by a unanimous vote of the members thereof, to dissolve this company. They are also authorized to dissolve this company by a vote of a majority of their number, upon first procuring the written consent or request of a majority in interest of the shareholders, that the same be dissolved. And in case of the dissolution of this company, said Directors are hereby expressly authorized, by themselves or by their attorney or attorneys, to adjust, settle and liquidate the business and affairs thereof.

#### ARTICLE XVII

Executive  
Committee.

There shall be an Executive Committee of the Board of Directors, to consist of not less than three members thereof.

The Board of Directors shall have power, from time to time, by its by-laws to authorize said Executive Committee to supervise, control, manage and direct the property, business and interests of the company during the recess of the Board, to such extent and in such manner as shall in that behalf be provided in and by said by-laws.

Regular meetings of the Executive Committee shall be held twice in every month at such place and upon such dates and at such hours as the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President may appoint or as shall be designated by the Executive Committee. Special meetings may be held upon call of the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the Presi-

At a Special Meeting of Shareholders held November 21, 1950, Article XVI was amended by adding at the end thereof the following:

"The Board of Directors shall have the power to issue any authorized but unissued shares of stock of this company for money, labor done, or property actually received for the use and lawful purposes of this company, including any stock of this company or securities of any other company or corporation. In the event of any such acquisition of property, said Board may assume on behalf of the company any or all liabilities of the former owner thereof. In the absence of fraud the judgment of the Board of Directors shall be conclusive as to the value of any such property so acquired, or, in case any liabilities be assumed by this company in connection therewith, the excess of such value over the amount of such liabilities. No such shares shall be issued for money in an amount less than the par value thereof."

dent or any three members of the Executive Committee. The presence of a majority of such Committee shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of such quorum shall be necessary upon the adoption of any vote or resolution.

A record of the proceedings of the Executive Committee shall be kept and submitted at each regular meeting of the Board.

The Board of Directors shall have power by its by-laws, not inconsistent with the provisions of this Article, to determine from time to time the number of members of whom the Executive Committee shall consist; and the method of their appointment, and the period for which they shall serve.

#### ARTICLE XVIII

The principal office of this company shall be located in the City of New York, or at such other place as the Board may from time to time direct by a vote of two-thirds of the whole number thereof, in which office shall be kept its principal books of account and other records, and unless otherwise ordered by the Board by the like vote, all the moneys of said company not otherwise invested, nor otherwise deposited for use in the current business of the company, shall be deposited in such banks or trust companies in the City of New York as shall be directed by the Board of Directors. Its stock and transfer books shall be kept at its principal office or at the office of its transfer agent.

Principal  
office of  
Company.

And all meetings of the Board of Directors shall be there held unless otherwise ordered by said Board.

Meetings  
of Directors.

Meetings of the Board of Directors may be called at any time by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President, and it shall be the duty of either to call such meetings whenever requested in writing so

to do by any four members of said Board of Directors. Adequate and reasonable notice shall be given of all such meetings to every member of said Board, in the manner to be prescribed by the By-Laws of the Board of Directors.

#### ARTICLE XIX.

Legal documents, how executed.

Suits, how prosecuted.

All bonds, powers of attorney or other sealed instruments, except deeds of real estate and leases, shall, in the absence of any direction of the Board of Directors to the contrary, be signed by the President and Secretary and countersigned by the Treasurer of said company. And all suits or actions shall be prosecuted in the name of the President or Treasurer in all States and places where it can legally be done.

#### ARTICLE XX.

Conveyance to new Company by Constituent Companies.

The AMERICAN EXPRESS COMPANY does hereby grant and convey to this company ALL and singular, the property, choses in action and effects, particularly described in Schedule "A" hereto annexed, except the real estate therein described, which is this day conveyed to this company in the name of its President.

The MERCHANTS UNION EXPRESS COMPANY does hereby grant and convey to this company ALL and singular the property, choses in action and effects particularly described in Schedule "B" hereto annexed, except the real estate therein described, which is this day conveyed to this company in the name of its President.

The said two companies do hereby severally assign and transfer to this company, all their interest in a certain contract between said two companies and the ADAMS and UNITED STATES EXPRESS COMPANIES, dated December 21st, 1867, and in the con-



tract supplementary thereto, dated October 2nd, 1868.

They also assign and transfer to this company any and all existing contracts with railroad companies.

### ARTICLE XXI.

*It is further agreed*, that each of the said companies shall pay and fully discharge all debts and liabilities which it owes or has incurred upon any account whatever.

Debts of  
Constituent  
Companies.

### ARTICLE XXII.

But it is expressly understood and agreed, that the parties hereto, hereby each reserves the right to retain and exercise its separate existence as a company and all its rights and powers under their several articles of association, so far as to enable it to collect all debts due or owing it, to sell and dispose of all property held or owned by it, and to settle and adjust all matters between it and its shareholders and creditors, notwithstanding anything hereinbefore contained.

Collection of  
debts, etc., by  
Constituent  
Companies.

### ARTICLE XXIII.

These ARTICLES OF AGREEMENT or any of the provisions thereof may be changed, altered or amended by the affirmative vote of two-thirds of the members of the Board of Directors at a special meeting duly called with notice of the proposed change, alteration or amendment, notice whereof shall be given as provided in the By-laws; and said ARTICLES OF AGREEMENT or any of the provisions thereof may also be changed, altered or amended by the affirmative vote of a majority in interest of all shareholders present in person or by proxy at a special meeting of the shareholders called for that purpose by a notice stating therein the time, place and purpose of said meeting, and including copies of the proposed change, alteration or amendment.

Amendment  
of Articles.

Such notice shall be mailed to every shareholder of record on the books of the company, at least ten days and not more than thirty days before such special meeting of shareholders.

~~Witness:~~ the signatures hereto of the Directors of the American Express Company, and of the President of the Merchants Union Express Company, the day and year first above written.

HENRY WELLS,  
*President,*

WM. G. FARGO,  
JAS. C. FARGO,  
EDWARD B. JUDSON,  
ALEX. HOLLAND,

*Directors of the American Express Company.*

**THE MERCHANTS UNION EXPRESS COMPANY,**

By  
E. P. ROSS,  
*President.*

The undersigned, members of the Executive Committee of the Merchants Union Express Company approve the execution of the above contract.

THEO. M. POMEROY,  
W. C. BEARDSLEY,  
J. N. KNAPP,

WM. H. SEWARD, JR.  
C. T. BACKUS,  
E. P. ROSS.

# BY-LAWS

OF THE

## AMERICAN EXPRESS COMPANY

Adopted at a Meeting of Board of Directors, held  
December 11th, 1894, as amended.

### FIRST

There shall be stated monthly meetings of the Board of Directors. Such meetings shall be held at the office of the company in the City of New York, or at such other place and upon such days and at such hours as the Board of Directors shall at any previous regular or special meeting by resolution direct. A majority of the Directors at the time and place appointed for any meeting of the Board shall be required to constitute a quorum.

Meetings of  
Board of  
Directors.

### SECOND

The Chairman of the Board shall be elected from the Directors of the company. Subject to the control of the Board of Directors and the Executive Committee, he shall be an executive officer of the company and shall have general supervision over its business and policies with powers coextensive with those of the President. He shall be ex officio a member of the Executive Committee. Either the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President shall preside at the meetings of the Board of Directors as the Board may determine, and either may call meetings of the Board and of any committee thereof whenever it is deemed necessary. The Chairman shall call to order and act as temporary Chairman at all meetings of shareholders.

The Chairman  
of the Board.



**THIRD**

The Vice Chairman  
of the Board.

The Vice Chairman of the Board shall be elected from the Directors of the company. Subject to the control of the Board of Directors and the Executive Committee, he shall be an executive officer of the Company with powers coextensive with those of the President. He shall be ex officio a member of the Executive Committee.

**FOURTH**

The Chairman  
of the  
Executive  
Committee.

The Chairman of the Executive Committee shall be elected from the Directors of the Company. Subject to the control of the Board of Directors and the Executive Committee, he shall be an executive officer of the company with powers coextensive with those of the President. He shall be ex officio a member of the Executive Committee. Either the Chairman of the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board or the President shall preside at the meetings of the Executive Committee of the Board of Directors as the Executive Committee may determine and either may call meetings of the Executive Committee whenever it is deemed necessary.

**FIFTH**

The President.

The President shall be an executive officer and, subject to the control of the Board of Directors, Executive Committee, Chairman of the Board, Vice Chairman of the Board and Chairman of the Executive Committee, shall be the principal managing officer of the company, and in addition to the powers provided in Article SECOND, he shall have all the powers and perform all the duties incidental thereto.

In the absence of action by the Board of Directors, or Executive Committee, the President shall, personally or through officers appointed by him, appoint all the subordinate officers, agents and employees of the com-

pany; and he may in like manner remove and discharge the same, and prescribe their respective occupations, powers, duties and compensation.

#### SIXTH

The Vice-Presidents shall respectively in addition to the powers and duties prescribed by the Articles of Association, possess such powers and perform such duties as may hereafter from time to time, be prescribed by the Board of Directors or the Executive Committee.

The Vice  
Presidents

#### SEVENTH

The Secretary shall issue notices of and attend the meetings of the Board of Directors and keep the minutes of the same. He shall also attend the meetings of the Executive Committee and keep the minutes of the same besides performing such other duties as may be assigned to him by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee, the President, the Board of Directors or the Executive Committee.

The  
Secretary

#### EIGHTH

The Assistant Secretary or Assistant Secretaries shall have such powers and duties as may be delegated to them by the Secretary; and in addition to the powers and duties thus delegated, the Assistant Secretary or Assistant Secretaries shall in the absence of the Secretary have such additional powers and duties in relation to the office of Secretary as may be assigned to them by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President.

The  
Assistant  
Secretary or  
Secretaries

#### NINTH

Unless the Board of Directors shall otherwise determine, the Treasurer shall be the custodian of all

The  
Treasurer

moneys, stocks, bonds, notes and other securities, and of all other papers upon which moneys are to be received and of all papers which relate to the receipt or delivery of stocks, bonds, notes and other securities in his possession. The Board of Directors may appoint such bank or trust company as they may determine to act as custodian of stocks, bonds, notes and other securities. The Treasurer is authorized to receive and receipt for moneys, stocks, bonds, notes and other securities belonging to the company, or which are received for its account. All money received by the Treasurer shall be deposited in such depositories as shall be designated in writing by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President.

All stocks, bonds, notes and other securities in the custody of the Treasurer shall be held in safe deposit vaults designated by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President, subject to such regulations in respect to access thereto or deposit or withdrawal thereof as may from time to time be ordered by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President.

The Treasurer, or such officer, agent or representative as shall be authorized by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President so to sign, is authorized to draw checks or drafts against any funds of the company on deposit, but such checks or drafts must be countersigned by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President or such other officer, agent or representative of the company as shall be authorized by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Com-



mittee or the President so to countersign. The Treasurer is authorized to endorse, for deposit or transfer, the name of the company on checks, drafts, warrants and bills of exchange. He is authorized to make disbursements for vouchers, payrolls, drafts or other accounts when approved for payment by duly authorized officers of the company. He shall cause to be kept true and full accounts of all receipts and disbursements of his office and shall perform such other duties as may be assigned him by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President.

The Treasurer shall report to the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President.

The Treasurer may also authorize in writing any other officer, agent or representative of the company to open a bank account in the name of the company with such depository as shall be designated in writing by the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President; to deposit money and funds with such depository; and to draw checks or drafts, in an amount not exceeding such deposit, against the funds of the company deposited by such officer, agent or representative. All such checks and drafts must be signed jointly on behalf of the company by such officer, agent or representative and also by such other person as the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President or Treasurer of the company shall designate in writing.

The Treasurer may also authorize in writing any officer, agent or representative of the company to arrange for the renting of safe deposit boxes, in such safe deposit vaults as shall be designated in writing by the Chairman of the Board, the Vice Chairman of the

Board, the Chairman of the Executive Committee or the President, for the protection of the company's financial paper and other valuables held by branch offices. The Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President or the Treasurer shall designate in writing the person or persons who shall have the right of access to, and control of the contents of, such safe deposit boxes standing in the name of the company.

#### TENTH

The  
Assistant  
Treasurer  
or Treasurers.

The Assistant Treasurer, or Assistant Treasurers, shall have such powers and duties as may be delegated to them by the Treasurer, and, in addition to the powers and duties thus delegated, the Assistant Treasurer, or Assistant Treasurers, shall, in the absence of the Treasurer, have such additional powers and duties in relation to the office of Treasurer as may be assigned to them by the President.

#### ELEVENTH

The  
Executive  
Committee.

The Executive Committee shall consist of not less than six nor more than ten members. The Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee and the President shall be ex officio members thereof and the remaining members shall be elected by ballot by the Board of Directors to hold office as such Executive Committee during the pleasure of the Board. A majority shall constitute a quorum for the transaction of business. When necessary to obtain a quorum on account of the absence of members or their inability to attend, the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President, may call upon any other Directors whom they may select to act as members of the Executive Committee in place of the absent members.

Said Committee shall have power to supervise, control, manage and direct the property, business and interests of the company during the recess of the Board of Directors, not inconsistent with any action or direction of the Board.

In the exercise of such powers, the Executive Committee may authorize the President, or other officer of this company, to execute and deliver on behalf of the company, any deed, contract, bond, undertaking or other instrument in writing and to affix a seal thereto whenever necessary, and the authority so to do shall be as ample as if conferred directly by action of the Board, and shall be deemed and taken to be the act of the Board.

### TWELFTH

Notice of special meetings of the Board of Directors shall be given by notice of the time and place thereof personally served within the City of New York upon, or mailed to each Director at his place of residence or business according to the address left by him with the Secretary.

Special Meetings of the Board.

Such notice shall be served, if personally, not less than one day, and if by mail not less than four days, prior to the time fixed for such meeting.

The waiver in writing by any Director of such notice shall be equivalent to due service thereof upon him.

### THIRTEENTH

No appointment of any subordinate officer, agent or employe can be made which is not terminable at pleasure by the Board of Directors, or by the Executive Committee, or by the officer or other person by whom such appointment shall have been made.

Appointment of Subordinate.



**FOURTEENTH**

Alteration,  
Amendment  
or Repeal.

These by-laws may be altered, amended or repealed by a majority vote of the whole number of Directors at any regular or stated meeting of the Board, without notice; or at any special meeting thereof, if written notice that the same are proposed to be altered, amended or repealed shall have been given in like manner as notice of such special meeting is required to be given.

**FIFTEENTH**

The  
Comptroller.

There shall be an officer to be called the Comptroller, who shall be the chief accounting officer of the company, and shall have, under the direction and control of the President or Executive Committee, the supervision and management of all the Accounts of the company.

He shall be furnished with copies of all written contracts made by or on behalf of the company.

It shall be his duty to see that regular books of account are kept showing fully, in such form as he shall prescribe, all transactions of the company, and he shall require, keep and preserve all vouchers relating thereto for such period as may be necessary.

He shall receive daily reports from the Treasurer of all receipts and disbursements, with paid vouchers therefor.

The Comptroller shall render periodically to the Executive Committee, statements and balance sheets required by the Articles of Association, and such other reports relating to the company's business as may be required by the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board, the Chairman of the Executive Committee or the President.

He shall, in addition, exercise such further powers and perform such further duties as may from time to time be prescribed by the President or Executive Committee.

## RESOLUTION.

At a regular quarterly meeting of the Board of Directors **AMERICAN EXPRESS COMPANY** held in New York City, May 12, 1897 — all the Directors being present — the following Resolution was unanimously adopted:

Continuation  
of Company's  
Existence.

WHEREAS, It was provided by the Articles of Association of the **AMERICAN EXPRESS COMPANY** that the business of the company should commence on the first day of December, in the year one thousand eight hundred and sixty-eight, and the said company should continue and be in existence for and during the term of thirty years from said day, unless the same should be sooner dissolved as therein provided, or unless the same should be continued for a longer period, as therein provided; and

WHEREAS, The Board of Directors is unanimously of the opinion that the interests of the shareholders will be promoted by a continuance of the existence and business of the company for the period of thirty years beyond said day;

*Therefore, Resolved,* That by the unanimous vote of the Board of Directors the said company shall continue and be in existence for and during an additional term of thirty years, to wit: until the first day of December, one thousand nine hundred and twenty-eight, unless the same shall be sooner dissolved by law, or by a vote of the Directors thereof, as provided in said Articles.

## RESOLUTION.

Continuation  
of Company's  
Existence.

At a regular meeting of the Board of Directors AMERICAN EXPRESS COMPANY held in New York City, May 4, 1926 — all the Directors being present — the following Resolution was unanimously adopted:

WHEREAS, It was provided by the Articles of Association of the AMERICAN EXPRESS COMPANY that the business of the company should commence on the first day of December in the year one thousand eight hundred and sixty-eight, and the said company should continue and be in existence for and during the term of thirty years from said day, unless the same should be sooner dissolved as therein provided, or unless the same should be continued for a longer period as therein provided; and

WHEREAS, The Board of Directors at its meeting May 12, 1897, unanimously voted that the AMERICAN EXPRESS COMPANY should continue and be in existence for and during an additional term of thirty years, to wit: until the first day of December, one thousand nine hundred and twenty-eight; and

WHEREAS, The Board of Directors is unanimously of the opinion that the interests of the shareholders will be promoted by a continuance of the existence and business of the company for the period of thirty years beyond said first day of December, one thousand nine hundred and twenty-eight; it was

*Therefore, Resolved*, That by the unanimous vote of the Board of Directors the said company shall continue and be in existence for and during an additional term of thirty years, to wit: until the first day of December, one thousand nine hundred and fifty-eight, unless the same shall be sooner dissolved by law, or by a vote of the Directors thereof, as provided in said Articles.

(December 27, 1943)



STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss:

I, \_\_\_\_\_ being  
duly sworn, do depose and say that I am the Assistant  
Secretary of the AMERICAN EXPRESS COM-  
PANY; that I have compared the foregoing copy of  
the Articles of Association and By-Laws of said com-  
pany with the original Articles of Association and By-  
Laws of said company and the amendments thereof,  
duly adopted and now in force, and that the foregoing  
copy is in all respects a true and correct copy of said  
original Articles of Association and By-Laws of the  
AMERICAN EXPRESS COMPANY, and of the  
amendments thereof, duly adopted and now in force,  
as aforesaid.

Sworn to before me this,  
day of \_\_\_\_\_, 19

Notary Public

AMERICAN EXPRESS COMPANY

State of New York )

City and County of New York ) ss

Under and in accordance with the provisions of Chapter 34 of the Laws of the State of New York of 1909, as amended, we, the undersigned, do certify as follows:

AMERICAN EXPRESS COMPANY is an Association transacting business within the State of New York.

The name of such Association is "AMERICAN EXPRESS COMPANY".

The date of the organization of said company is November 25, 1862. The copy of the Amended Articles of Association remains on file in the Secretary of State's office.

The number of Associates or Stockholders is 22,540.

The principal place of business of said Association is number 65 Broadway, in the City of New York.

The names and places of residence of the officers and directors of said Association are as follows:

Robert L. Clatsman, Chairman of the Board of Directors,  
Sayville, L.I., N.Y.

Lynde Bolger, Vice Chairman of the Board of Directors,  
Field Point Park, Greenwich, Conn.

Ralph T. Reed, President and Director,  
229 Park Avenue, New York, N.Y.

Harold A. Smith, Executive Vice President and Director,  
221 Lake Road, Ridgewood, N.J.

Paul M. K. Smith, Senior Vice President and Director,  
229 Park Avenue, New York, N.Y.

William L. Clark, Junior Vice President and Director,  
177 Ocean Drive West, Stamford, Conn.

Isabella F. Page, Senior Vice President & Secretary and Director,  
45 Christopher Street, New York, N.Y.

Thomas J. Connolly, Vice President  
21 Cedar Place, Garden City, L.I., N.Y.

Albert R. Gettywill, Vice President & Assistant Secretary,  
208 No. Hudson Avenue, Upper Meriden, N.J.

George V. Scherby, Jr., Vice President  
225 Richmond Road, Ridgewood, N.J.

Robert R. Mitchell, Vice President  
R.F.D. 2 - Bridgeport Road, Greenwich, Conn.

Clifford H. Smith, Vice President and Treasurer,  
1000 Cedar Point Road, Little Silver, N.J.

Walter B. Smith, Vice President & Controller,  
1 Fifth Avenue, New York, N.Y.

Bert E. White, Vice President & General Manager-Crevel,  
20 Fifth Avenue, New York, N.Y.

Harry S. Burroughs, Jr., Assistant Treasurer,  
8701 Shore Road, Brooklyn, N.Y.

Daniel M. Farrell, Assistant Treasurer  
50 So. Murray Ave., Ridgewood, N.J.

Arthur B. Slade, Assistant Treasurer,  
17 S. Monroe St., Ridgewood, N.J.

Frederick A. Small, Assistant Treasurer,  
1 University Place, New York, N.Y.

George E. Olcott, Assistant Secretary  
6 Stans Street, Ossining, N.Y.

Henry Hargreaves, Assistant Secretary  
311 Van Buren Ave., Tonawack, N.J.

Joseph F. Abbott, Director,  
North Street, Greenwich, Conn.

Lucius E. Clay, Director  
1040 Park Avenue, New York, N.Y.

Leon A. Head, Director  
320 East 72 Street, New York, N.Y.

Joseph H. King, Director,  
Fox Run Lane, Greenwich, Conn.

James T. Lee, Director  
East Hampton, Suffolk County, L.I., N.Y.

Walter P. Marshall, Director,  
373 North Village Ave., Rockville Centre, N.Y.

Ralph Owen, Director,  
Lynwood Boulevard, Rockville, Tenn.

Charles S. Sargent, Director  
360 Park Avenue, New York, N.Y.

Grant S. Simmons, Director  
Lake Avenue, Greenwich, Conn.

Frederick P. Small, Director,  
895 Edgewater Avenue, Ridgefield, N.J.

Ray E. White, Director  
211 Lombard Road, Baltimore, Md.

Robert W. Woodruff  
2440 Turner Road, Atlanta, Ga.



In witness whereof, we, Ralph T. Reed, as President of the American Express Company, and Olaf Ravndal, as Vice President and Treasurer, have duly signed this certificate this 11<sup>th</sup> day of January 1934.


  
President

  
Vice President & Treasurer

State of New York )

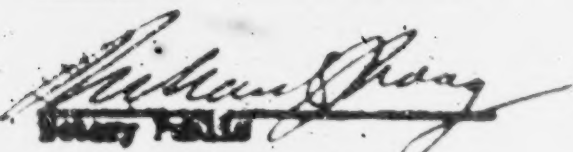
City and County of New York ) ss.

Ralph T. Reed and Olaf Ravndal being each for himself severally sworn, says the said Ralph T. Reed that he is President of the American Express Company and the said Olaf Ravndal that he is Vice President & Treasurer of the American Express Company and that the statements contained in the foregoing certificate are true.

  
President

  
Vice President & Treasurer

Seen to before me this  
11<sup>th</sup> day of January, 1934

  
Notary Public

RICHARD J. WAAG

Notary Public for State of New York

No. 10,000

Qualified in Nassau County

Certs. filed N. Y. Co. Clk. & Reg.

Term Expires March 26, 1934

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Company

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AMERICAN EXPRESS COMPANY

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
DECEMBER 31, 1949

\*\*\*\*\*

HASKINS & SELLS



# HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET

NEW YORK 4

## ACCOUNTANTS' CERTIFICATE

American Express Company:

We have examined the balance sheet of American Express Company as of December 31, 1949 and the related summary of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The liabilities, "Travelers Cheques and Travelers Letters of Credit" and "Drafts and Checks not Presented for Payment", shown in the accompanying balance sheet, include, respectively, travelers cheques outstanding of \$180,640,763.51 and money orders outstanding of \$1,427,212.09 as to which we did not examine the detailed records or determine that the aggregate balances thereof were in agreement with the respective control accounts. We did, however, review the accounting procedures relating to the reporting of sales and the recording of the liabilities, and of the procedures relating to accounting for paid paper. We also examined the control accounts for the year and on the basis of our examination and the system of internal accounting control, in our opinion such control accounts for the year properly reflect the related transactions.

During 1949 the Company made a contribution of \$75,138.62 to a subsidiary company, equivalent to that subsidiary's operating loss for the year 1949, charging the amount directly to surplus account; in our opinion, this contribution should have been charged against income.

In our opinion, except for the transaction explained in the immediate preceding paragraph, the accompanying balance sheet and summary of income and surplus, with their footnotes, present fairly the financial position of the Company at December 31, 1949 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Haskins & Sells*

AMERICAN EXPRESS COMPANY

(Not incorporated; organized under Articles of Merger and Association on November 25, 1868; and under the common law of the State of New York)

BALANCE SHEET, DECEMBER 31, 1949

ASSETS

CASH ON HAND AND IN BANKS.....	\$ 37,722,971.92	
CASH WITH SUBSIDIARY COMPANY.....	1,352,554.23	
SECURITY INVESTMENTS - At cost:		
U. S. Government securities.....	\$77,618,635.28	
U. S. Government Agencies' securities	3,949,908.42	
Short term notes.....	3,252,434.97	
State and municipal bonds.....	52,251,928.05	
Railroad equipment trust certificates	7,530,943.32	
Railroad bonds.....	1,715,662.71	
Utility bonds.....	8,000,238.50	
Industrial and miscellaneous bonds...	1,796,493.23	
Canadian - dominion, provinces, and municipal bonds.....	761,152.78	
Stocks owned of other companies.....	7,940,000.46	(A) 164,817,397.72*
*Valuation based on published quotations and on yield or other quotations, December 31, 1949, \$167,858,192.90.		
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE:		
Due from subsidiary and affiliated companies.....	\$ 617,118.40	
Interest and dividends receivable....	813,898.78	
Other.....	1,011,049.99	2,442,067.17
BRANCH OFFICES' WORKING FUNDS AND ITEMS IN TRANSIT, ETC. (net).....		1,532,255.03
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHEQUES, AND TRAVELERS LETTERS OF CREDIT ISSUED.....		1,360,693.30
INVESTMENT IN CAPITAL STOCKS OF SUBSIDIARY COMPANIES - At cost or less (approximate valuation based on net values as shown by balance sheets of subsidiary companies, \$12,417,000.00, including their reserves for contingencies, and after giving effect to the market valuation of their investment securities - appreciation of \$554,231.19).....		7,503,492.43
LAND, BUILDINGS, AND EQUIPMENT - At cost:		
Land.....	\$ 2,337,047.03	
Buildings.....	\$2,765,063.27	
Less reserves.....	7,200,951.45	564,111.82
Equipment.....	\$1,145,001.65	
Less reserves.....	599,378.94	545,622.71
OTHER ASSETS - Unadjusted debits, deferred charges, etc.....	\$ 1,154,086.56	
Less reserves.....	639,181.57	514,904.99
TOTAL.....	\$ 220,693,118.35	

LIABILITIES

CAPITAL - Authorized and outstanding, 180,000 shares of \$100.00 par value each.....	\$ 18,000,000.00
SURPLUS.....	6,160,143.92
RESERVES FOR CONTINGENCIES.....	2,006,676.82
TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT.....	183,004,529.78
DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	5,940,016.06
DIVIDEND PAYABLE - January 3, 1950.....	270,000.00
DUE TO SUBSIDIARY COMPANY.....	21,926.78
ACCRUED AND CURRENT LIABILITIES:	
Due to subsidiary and affiliated companies. \$	692,407.73
Accrued taxes.....	376,314.16
Other accrued and current liabilities.....	3,623,601.13
OTHER LIABILITIES - Unadjusted credits, etc.....	597,501.97
TOTAL.....	\$220,693,118.35

The notes on the following page should be considered in conjunction with the above balance sheet.

(Continued) - 1.



AMERICAN EXPRESS COMPANYNOTES TO BALANCE SHEET,  
DECEMBER 31, 1949

At December 31, 1949 the Company had contingent liabilities as follows:

As guarantor on behalf of The American Express Company, Incorporated (a subsidiary):

For overdrafts on National Provincial Bank, Limited to the extent of £500,000.

For accounts of Australian customers to the extent of £15,000.

For sale of Netherlands State Railway tickets to the extent of Guilders 100,000.

(A) Includes securities with a book value of \$224,336.22 deposited as guarantees under Workmen's Compensation Acts, etc.



# AMERICAN EXPRESS COMPANY.

## SUMMARY OF INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1949

### INCOME:

#### From operations:

Financial..... \$ 6,740,929.08

Transportation (includes \$6,650 dividend  
received from subsidiary company)..... 819,354.33

Travel..... 2,609,194.98

Interest income, net..... 3,008,475.17

#### Dividend income:

##### Subsidiary companies

(exclusive of \$6,650

included under transpor-

tation income)..... \$500,174.08

Other..... 468,270.52 968,444.60

#### Operation of buildings:

Revenues (see Note 1)..... \$850,903.64

Expenses and other charges.. 803,605.03 47,298.61

Other income..... 11,080.92

Total..... \$14,204,777.69

#### Profit on sales of securities (net) -

(see Note 2)..... 601,707.88 \$14,806,485.57

### EXPENSES AND TAXES (see Note 1):

Salaries and wages..... \$ 6,423,431.13

Supplies and expenses..... 2,209,325.67

Rent..... 730,840.48

Advertising..... 1,045,771.89

#### Taxes (excluding real estate taxes, etc.,

included above in operation of buildings,

and including provision for Federal income

taxes of \$41,972.88 - net, on basis of

consolidated tax returns ..... 341,994.07

Other expenses..... 1,507,820.66 12,259,183.95

NET INCOME..... \$ 2,547,301.62

SURPLUS, JANUARY 1, 1949..... 6,008,925.67

SURPLUS CREDIT - Sundry..... 14,717.06

Total..... \$ 8,570,944.35

### SURPLUS CHARGES:

Dividends - \$6.00 a share..... \$ 1,080,000.00

Transfer to reserve for contingencies..... 125,000.00

Contribution to subsidiary company..... 75,138.62

#### Restoration to financial paper accounts of

unclaimed credits of prior years (less

estimated Federal income tax benefits,

\$753,774.54)..... 1,130,661.81 2,410,800.43

SURPLUS, DECEMBER 31, 1949..... \$ 6,160,143.92

The notes on the following page should be considered in  
conjunction with the above summary.

AMERICAN EXPRESS COMPANYNOTES TO SUMMARY OF INCOME AND SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1949

Revenues from operation of buildings include \$503,451.85  
inter-departmental income charged to expense as follows:

Rent.....	\$418,414.14
Other (includes \$9,515.25 charged to expenses relating to operation of buildings).....	<u>85,037.71</u>
Total.....	<u>\$503,451.85</u>

"Profit on sales of securities (net)" is based on amortized costs of securities sold in 1949 determined on the "specific certificate or bond" basis with respect to United States Government securities and on the "first-in, first-out" basis with respect to other securities; the latter basis being separately applied as to those securities in the general portfolio and those purchased for temporary investment.

Defendant's Exhibit 5

AMERICAN EXPRESS COMPANY  
AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES  
THE AMERICAN EXPRESS COMPANY, INCORPORATED  
AND CONSOLIDATED SUBSIDIARY COMPANIES

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
DECEMBER 31, 1950

\*\*\*\*\*



HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET  
NEW YORK 4

ACCOUNTANTS' CERTIFICATE

American Express Company:

We have examined the balance sheet of American Express Company as of December 31, 1950 and the consolidated statement of income and surplus of the Company and consolidated subsidiaries for the year then ended. We have also examined the consolidated balance sheet of the Company's principal subsidiary, The American Express Company, Incorporated and consolidated subsidiaries, as of December 31, 1950. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; as to American Express Company, it was not practicable to reconcile the individual liability balances of travelers cheques and drafts (money orders) with the respective related control accounts but, in view of the accounting procedures followed and the system of internal accounting control in effect, we satisfied ourselves with respect to the aggregate amounts of these liabilities by examination of the control accounts.

In our opinion, the accompanying balance sheets and statement of income and surplus, with their notes, present fairly the financial position of American Express Company and of The American Express Company, Incorporated and its consolidated subsidiaries at December 31, 1950 and the results of operations of American Express Company and consolidated subsidiaries for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Haskins & Sells*

April 16, 1951.

AMERICAN EXPRESS COMPANY

BALANCE SHEET, DECEMBER 31, 1950 AND 1949

ASSETS

	1950	1949
CASH ON HAND AND IN BANKS.....	\$ 53,480,273.00	\$ 37,722,971.92
CASH WITH SUBSIDIARY COMPANIES.....	1,769,090.35	1,352,554.23
SECURITY INVESTMENTS - At cost:		
United States Government securities.....	62,225,502.87	77,618,635.28
United States Government Agencies' securities.....	2,888,963.11	3,949,908.42
Short term notes.....	3,371,949.61	3,252,434.97
State and Municipal bonds.....	61,063,307.50	2,251,928.05
Railroad equipment trust certificates.....	5,591,676.77	7,530,943.32
Railroad bonds.....	1,779,061.10	1,715,662.71
Utility bonds.....	7,741,872.19	8,000,238.50
Industrial and miscellaneous bonds.....	1,679,835.39	1,796,493.23
Canadian and other foreign governments and Municipal bonds.....	945,817.63	761,152.78
Stocks of other companies.....	9,876,486.76	7,940,000.46
Total security investments.....	\$157,164,472.93	\$164,817,397.72
Valuation based on published quotations and on yield or other quotations, December 31, 1950 - \$158,608,000; 1949 - \$167,856,000.		
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE.....	2,263,201.29	2,442,067.17
BRANCH OFFICE WORKING FUNDS AND ITEMS IN TRANSIT....	3,409,823.20	1,532,255.03
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT ISSUED....	1,663,644.15	1,360,693.30
INVESTMENT IN SUBSIDIARY AND AFFILIATED COMPANIES - At cost:		
The American Express Company, Incorporated.....	6,997,875.00	6,997,875.00
Other subsidiary and affiliated companies.....	1,856,821.90	505,617.43
Valuation based on balance sheets of respective companies; December 31, 1950 - \$13,262,000; 1949 - \$12,417,000.		
LAND, BUILDINGS, AND EQUIPMENT - At cost:		
Less reserves of \$2,908,484.03 in 1950 and \$2,800,330.39 in 1949.....	3,516,338.71	3,446,781.56
OTHER ASSETS:		
Less reserves of \$513,501.14 in 1950 and \$639,181.57 in 1949.....	1,139,540.07	514,904.93
TOTAL.....	\$233,261,080.60	\$220,693,118.35

LIABILITIES

	1950	1949
CAPITAL.....	\$ 22,305,290.00	\$ 18,000,000.00
SURPLUS.....	6,497,222.72	6,160,143.92
RESERVE FOR CONTINGENCIES.....	2,245,529.51	2,006,676.82
TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT.....	190,259,531.85	183,004,529.78
DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	7,118,956.09	5,940,016.06
ACCRUED AND CURRENT LIABILITIES.....	3,340,182.13	4,692,323.02
DIVIDENDS PAYABLE.....	557,315.50	270,000.00
OTHER LIABILITIES.....	937,052.80	619,428.75

TOTAL..... \$233,261,080.60 \$220,693,118.35



AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME AND SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1950

INCOME:

Income from operations.....	\$22,472,273.89
Profit on sales of securities (net).....	<u>1,153,514.91</u>
Total.....	\$23,625,788.80

EXPENSES AND TAXES:

Wages and salaries.....	\$10,785,222.05
Blank financial paper and other printing and stationery.....	1,379,017.83
Postage, telephone, telegraph and cable.....	750,836.59
Transportation, express, and other carriage costs.....	672,540.43
Expenses of owned and rented property...	1,234,373.56
Advertising and literature.....	990,520.78
Other expenses.....	3,603,167.15
Federal income, foreign, state, and other taxes.....	<u>1,184,575.17</u>
Total.....	<u>20,600,253.56</u>

NET INCOME..... \$ 3,025,535.24

SURPLUS, JANUARY 1, 1950..... 9,083,195.00

SURPLUS CREDITS..... 18,207.12

Total..... \$12,126,937.36

SURPLUS CHARGES:

Dividends.....	\$ 1,367,315.50
Earned surplus (net) capitalized under Recapitalization Plan.....	<u>1,525,723.58</u>
Total.....	<u>2,893,039.08</u>

SURPLUS, DECEMBER 31, 1950..... \$ 3,233,898.28



THE AMERICAN EXPRESS COMPANY, INCORPORATED  
AND CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1950 AND 1949

ASSETS

	1950	1949
CASH ON HAND AND IN BANKS.....	\$ 17,679,734.37	\$ 16,182,044.34
UNITED STATES MILITARY PAYMENT CERTIFICATES ON HAND.....	5,558,449.00	4,131,753.00
TIME DEPOSITS WITH BANKS.....	3,893,821.00	1,809,193.00
SAVINGS AND DISCOUNTS.....	3,918,976.99	3,251,492.55
SECURITY INVESTMENTS - At cost (Note 1):		
United States Government securities.....	80,084,669.75	63,973,030.96
United States Government Agencies' securities.....	1,325,478.139	1,460,787.05
Short term notes.....	249,989.17	747,528.64
State and Municipal bonds.....	6,250,732.13	4,337,120.81
Railroad equipment trust certificates.....	955,542.23	1,007,842.13
Railroad bonds.....	119,478.40	119,477.80
Utility bonds.....	494,604.62	253,569.07
Industrial and miscellaneous bonds.....	248,361.64	318,569.92
Canadian and other foreign governments and		
Municipal bonds.....	2,372,741.87	1,962,464.98
Stocks of other companies.....	268,735.19	160,263.93
Total security investments.....	\$ 92,370,333.39	\$ 74,340,655.29
Valuation based on published quotations and on		
yield or other quotations, December 31, 1950		
\$92,066,000; 1949 - \$74,891,000.		
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE.....	3,793,691.67	2,034,159.57
BRANCH OFFICE AND INTERCOMPANY ITEMS IN TRANSIT -		
Net.....	291,663.92	836,235.94
LAND, BUILDINGS, AND EQUIPMENT - At cost (Note 2):		
Less: Reserves of \$1,299,903.63 in 1950 and		
\$1,234,394.80 in 1949.....	1,409,767.33	1,283,770.24
CUSTOMERS' LIABILITY UNDER COMMERCIAL CREDITS.....	3,116,059.44	1,342,561.14
DEBTS FROM AFFILIATED COMPANIES.....	648,117.34	580,555.18
OTHER ASSETS.....	1,380,237.47	430,762.47
TOTAL.....	<u>\$134,060,851.92</u>	<u>\$106,223,182.72</u>

LIABILITIES

	1950	1949
CAPITAL - Authorized and outstanding, 60,000 shares (\$100		
par value).....	\$ 6,000,000.00	\$ 6,000,000.00
SURPLUS.....	3,705,622.77	3,608,144.10
RESERVES FOR CONTINGENCIES.....	903,827.96	877,399.15
RESERVES FOR OTHER ITEMS.....	103,799.19	426,480.54
DEPOSITS.....	108,966,725.99	84,334,428.54
DUE TO BANKS.....	85,538.75	159,063.89
DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	5,017,087.47	4,681,681.45
COMMERCIAL CREDITS OUTSTANDING.....	3,116,059.44	1,342,561.14
ACCRUED AND CURRENT LIABILITIES.....	2,531,114.47	2,427,900.64
DUE TO AMERICAN EXPRESS COMPANY.....	2,315,609.82	1,381,385.62
OTHER LIABILITIES.....	1,315,466.06	984,137.65
TOTAL.....	<u>\$134,060,851.92</u>	<u>\$106,223,182.72</u>

The notes on the following page are an integral part of this balance sheet.

THE AMERICAN EXPRESS COMPANY, INCORPORATED  
\* AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED BALANCE SHEET

1. At December 31, 1950, investment securities having a book value of \$65,614,006.23 were deposited with various agencies (\$65,483,652.44 with United States Government Agencies) pursuant to requirements.
  2. Certain properties located in Europe (cost \$676,949.96) which were fully reserved in prior years because of war conditions, remained fully reserved at December 31, 1950.
  3. The Company's operations (through its own branch offices and the offices of its subsidiaries) are principally in foreign countries. All accounts on the books at the branches of the Company, and at offices of subsidiary companies, carried in foreign currencies are expressed in the accompanying balance sheet at the United States dollar equivalent based on rates of exchange generally prevailing at the year end.
-

## Defendant's Exhibit 6

AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES  
AMERICAN EXPRESS COMPANY  
THE AMERICAN EXPRESS COMPANY, INCORPORATED  
AND CONSOLIDATED SUBSIDIARY COMPANIES

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
DECEMBER 31, 1951

\*\*\*\*\*

HASKINS & SELLS



HASKINS &amp; SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET  
NEW YORK 4ACCOUNTANTS' CERTIFICATE

The Directors and Shareholders of  
American Express Company:

We have examined the consolidated balance sheet of American Express Company and consolidated subsidiaries as of December 31, 1951 and the related statement of income and surplus for the year then ended. We have also examined the balance sheet of American Express Company and the consolidated balance sheet of the Company's principal subsidiary, The American Express Company, Incorporated and consolidated subsidiaries. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; as to American Express Company, it was not practicable to reconcile the individual liability balances of travelers cheques and drafts (money orders) with the respective related control accounts but, in view of the accounting procedures followed and the system of internal accounting control in effect, we satisfied ourselves with respect to the aggregate amounts of these liabilities by examination of the control accounts.

In our opinion, the accompanying balance sheets and statement of income and surplus, with their notes, present fairly the respective financial positions of the companies at December 31, 1951 and the results of their operations, on a consolidated basis, for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 15, 1952.

*Haskins & Sells*

**AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1951 AND 1950**

**ASSETS**

	1951	1950
CASH ON HAND AND IN BANKS .....	\$ 56,681,958	\$ 71,787,480
UNITED STATES MILITARY PAYMENT CERTIFICATES ON HAND .....	7,624,059	5,558,449
TIME DEPOSITS .....	2,896,410	3,897,821
LOANS AND DISCOUNTS .....	6,063,121	3,918,976
SECURITY INVESTMENTS - At cost (Note 1):		
United States Government securities .....	150,643,494	142,445,707
United States Government Agencies' securities .....	4,843,841	4,214,441
Commercial and industrial notes .....	5,582,862	3,621,938
State and municipal bonds .....	91,135,223	67,314,039
Railroad equipment trust certificates .....	6,594,445	6,547,219
Railroad bonds .....	1,026,401	1,398,539
Utility bonds .....	10,895,928	8,236,476
Industrial and miscellaneous bonds .....	2,434,164	1,928,197
Canadian and other foreign governments and municipal bonds .....	3,512,263	3,318,559
Preferred stocks .....	13,352,063	3,414,006
Common stocks .....	6,966,576	7,562,155
Total security investments .....	\$296,987,260	\$250,507,776
Valuation based on published quotations and on yield or other quotations; December 31, 1951 - \$293,956,000; 1950 - \$251,782,000.		
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE .....	5,922,667	5,948,091
AMERICAN EXPRESS COMPANY CAPITAL SHARES (230,000) REACQUIRED - At cost (Note 2) .....	3,565,000	
BRANCH OFFICE AND SUBSIDIARY COMPANY ITEMS IN TRANSIT - Net .....	4,448,272	3,809,398
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT ISSUED .....	1,844,105	1,663,644
DUE FROM SUBSIDIARY COMPANIES NOT CONSOLIDATED .....	1,122,269	644,834
INVESTMENT IN SUBSIDIARY COMPANIES NOT CONSOLIDATED - At cost .....	188,389	188,383
Valuation based on balance sheets of respective companies; December 31, 1951 - \$1,274,000; 1950 - \$1,123,000.		
LAND, BUILDINGS, AND EQUIPMENT - At cost:		
Less reserves of \$4,465,797 in 1951 and \$4,216,168 in 1950 .....	5,010,341	4,936,963
CUSTOMERS' LIABILITY UNDER COMMERCIAL CREDITS .....	2,183,677	3,116,058
OTHER ASSETS:		
Less reserves of \$395,481 in 1951 and \$530,575 in 1950 .....	3,419,259	1,760,043
TOTAL .....	\$397,947,293	\$357,726,935

**LIABILITIES**

	1951	1950
CAPITAL: Authorized 2,500,000 shares (\$10 par value) -		
Outstanding 2,230,529 shares (including 5,506-2/3 shares held for exchange of old \$100 par value shares) - (Note 2) .....	\$ 22,303,290	\$ 22,305,290
SURPLUS .....	10,284,890	9,233,898
RESERVES FOR CONTINGENCIES .....	3,349,621	3,149,357
RESERVES FOR OTHER ITEMS .....	130,517	103,799
CUSTOMERS' DEPOSITS WITH THE AMERICAN EXPRESS COMPANY, INCORPORATED .....	126,438,471	108,966,725
TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT .....	211,424,112	190,259,531
DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT .....	10,469,756	12,036,207
COMMERCIAL CREDITS OUTSTANDING .....	2,183,677	3,116,059
ACCRUED AND CURRENT LIABILITIES .....	7,677,724	5,709,296
DIVIDEND PAYABLE .....		557,315
OTHER LIABILITIES .....	3,711,235	2,289,458

TOTAL .....

\$397,947,293 \$357,726,935

See Notes to Financial Statements.



**AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES**

**STATEMENT OF CONSOLIDATED INCOME AND SURPLUS  
FOR THE YEARS ENDED DECEMBER 31, 1951 AND 1950**

	<u>1951</u>	<u>1950</u>
<b>INCOME:</b>		
Income from operations.....	\$25,146,774	\$22,472,274
Profit on sales of securities (net).....	1,271,512	1,153,514
Total.....	<u>\$26,418,286</u>	<u>\$23,625,788</u>
<b>EXPENSES AND TAXES:</b>		
Wages and salaries.....	\$12,221,601	\$10,785,222
Cost of financial paper and other printing and stationery.....	1,671,102	1,379,017
Postage, telephone, telegraph, and cable....	845,631	750,836
Travel, express, and other transportation costs.....	785,622	672,540
Expenses of owned and rented property.....	1,357,615	1,234,373
Advertising and literature.....	955,985	990,520
Other expenses.....	3,316,558	3,603,170
Federal income, foreign, state, and other taxes*.....	1,978,225	1,184,575
Total.....	<u>\$23,132,339</u>	<u>\$20,600,253</u>
<b>NET INCOME.....</b>	<b>\$ 3,285,947</b>	<b>\$ 3,025,535</b>
<b>SURPLUS AT BEGINNING OF YEAR.....</b>	<b>9,233,898</b>	<b>9,083,195</b>
<b>SURPLUS CREDITS.....</b>	<b>17,148</b>	<b>18,207</b>
Total.....	<u>\$12,536,993</u>	<u>\$12,126,937</u>
<b>SURPLUS CHARGES:</b>		
Dividends.....	\$ 2,172,103	\$ 1,367,315
Earned surplus (net) capitalized under Recapitalization Plan.....		1,525,724
Transfer to reserve for contingencies.....	100,000	
Total.....	<u>\$ 2,272,103</u>	<u>\$ 2,893,039</u>
<b>SURPLUS AT END OF YEAR.....</b>	<b><u>\$10,264,890</u></b>	<b><u>\$ 9,233,898</u></b>

\* Includes taxes applicable to profit on  
sales of securities.



## AMERICAN EXPRESS COMPANY

BALANCE SHEET, DECEMBER 31, 1951 AND 1950

ASSETS

	<u>1951</u>	<u>1950</u>
CASH ON HAND AND IN BANKS.....	\$ 39,757,290	\$ 53,480,273
CASH WITH SUBSIDIARY COMPANIES.....	2,006,098	1,769,090
SECURITY INVESTMENTS - At cost (Note 1):		
United States Government securities.....	60,324,292	62,225,502
United States Government Agencies' securities.....	2,143,450	2,888,963
Commercial and industrial notes.....	4,367,578	3,371,949
State and municipal bonds.....	81,893,546	61,053,307
Railroad equipment, trust certificates.....	5,740,801	5,591,676
Railroad bonds.....	906,922	1,779,061
Utility bonds.....	10,404,187	7,741,872
Industrial and miscellaneous bonds.....	1,934,503	1,679,835
Canadian and other foreign governments and municipal bonds	758,465	945,817
Preferred stocks.....	12,666,271	3,411,986
Common stocks.....	5,801,115	6,464,504
Total security investments.....	\$186,941,130	\$157,164,472
Valuation based on published quotations and on yield or other quotation; December 31, 1951 - \$184,817,000; 1950 - \$158,608,000.		
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE.....	1,814,873	2,263,201
AMERICAN EXPRESS COMPANY CAPITAL SHARES (230,000) REACQUIRED - At cost (Note 2).....	3,565,000	
BRANCH OFFICE AND SUBSIDIARY COMPANY ITEMS IN TRANSIT - Net.....	1,499,375	3,409,823
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT ISSUED.....	1,844,105	1,663,644
DUE FROM SUBSIDIARY COMPANIES.....	2,477,631	683,335
INVESTMENT IN SUBSIDIARY COMPANIES - At cost:		
The American Express Company, Incorporated.....	6,997,875	6,997,875
Other subsidiary companies.....	1,856,821	1,856,821
Valuation based on balance sheets of respective companies; December 31, 1951 - \$12,858,000; 1950 - \$13,262,000.		
LAND, BUILDINGS, AND EQUIPMENT - At cost:		
Less reserves of \$3,030,806 in 1951 and \$2,908,484 in 1950	3,526,081	3,516,338
OTHER ASSETS:		
Less reserves of \$390,613 in 1951 and \$513,501 in 1950....	415,586	456,208
TOTAL.....	\$252,701,865	\$233,261,080

LIABILITIES

	<u>1951</u>	<u>1950</u>
CAPITAL - Authorized 2,500,000 shares (\$10 par value) - Outstanding 2,230,529 shares (including 5,506-2/3 shares held for exchange of old \$100 par value shares) - (Note 2).....	\$ 22,305,290	\$ 22,305,290
SURPLUS.....	7,435,447	6,497,222
RESERVES FOR CONTINGENCIES.....	2,351,362	2,245,529
TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT.....	211,424,112	190,259,531
DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	5,026,466	7,118,956
ACCRUED AND CURRENT LIABILITIES.....	3,466,964	3,340,182
DIVIDEND PAYABLE.....		557,315
OTHER LIABILITIES.....	692,224	937,055

TOTAL..... \$252,701,865 \$233,261,080

See Notes to Financial Statements.

THE AMERICAN EXPRESS COMPANY, INCORPORATED  
AND CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1951 AND 1950

<u>ASSETS</u>			<u>LIABILITIES</u>		
	1951	1950		1951	1950
CASH ON HAND AND IN BANKS.....	\$ 16,455,956	\$ 17,679,734	CAPITAL - Authorized and outstanding, 60,000 shares (\$100 par value).....	\$ 6,000,000	\$ 6,000,000
UNITED STATES MILITARY PAYMENT CERTIFICATES ON HAND.....	7,624,059	5,558,449	SURPLUS.....	3,803,128	3,705,622
TIME DEPOSITS.....	2,886,410	3,893,821	RESERVES FOR CONTINGENCIES.....	998,259	903,827
LOANS AND DISCOUNTS.....	6,063,121	3,918,976	RESERVES FOR OTHER ITEMS.....	130,517	103,799
SECURITY INVESTMENTS - At cost (Note 1):			CUSTOMERS' DEPOSITS.....	126,430,471	108,966,725
United States Government securities.....	89,591,499	80,084,669	DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	5,517,975	5,017,087
United States Government Agencies' securities.....	2,700,391	1,325,478	COMMERCIAL CREDITS OUTSTANDING.....	2,183,677	3,116,059
Commercial and industrial notes.....	1,215,283	249,989	ACCRUED AND CURRENT LIABILITIES.....	4,054,644	2,616,653
State and municipal bonds.....	9,241,676	6,250,732	DUE TO AMERICAN EXPRESS COMPANY.....	2,238,763	2,315,609
Railroad equipment trust certificates.....	853,644	955,542	OTHER LIABILITIES.....	2,987,913	1,315,470
Railroad bonds.....	119,479	119,478			
Utility bonds.....	491,740	494,604			
Industrial and miscellaneous bonds.....	499,661	248,361			
Canadian and other foreign governments and municipal bonds	2,753,797	2,372,741			
Preferred stocks.....	683,772				
Common stocks.....	670,344	268,739			
Total security investments.....	\$108,821,286	\$ 92,370,333			
Valuation based on published quotations and on yield or other quotations; December 31, 1951 - \$107,820,000; 1950 - \$92,066,000.					
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE.....	3,948,635	3,793,691			
BRANCH OFFICE AND SUBSIDIARY COMPANY ITEMS IN TRANSIT - Net.	1,908,000	291,663			
DUE FROM AFFILIATED COMPANIES.....		648,117			
LAND, BUILDINGS, AND EQUIPMENT - At cost:					
Less reserves of \$1,425,039 in 1951 and \$1,299,903 in 1950	1,466,542	1,409,767			
CUSTOMERS' LIABILITY UNDER COMMERCIAL CREDITS.....	2,183,677	3,116,059			
OTHER ASSETS.....	2,987,661	1,380,241			
TOTAL.....	\$154,345,347	\$134,060,851	TOTAL.....	\$154,345,347	\$134,060,851

See Notes to Financial Statements.



## NOTES TO FINANCIAL STATEMENTS

1. At December 31, 1951, investment securities with book value aggregating \$82,328,282.00 were deposited with various agencies (principally United States Government Agencies), pursuant to requirements. Substantially all of these securities have been deposited by the Company's principal subsidiary, The American Express Company, Incorporated.
2. During 1951, American Express Company reacquired 230,000 of its capital shares at a cost of \$15.50 each in connection with a proposed stock option plan for officers and key employees of the Company and its subsidiaries. Under the plan, as revised, which is subject in its entirety to approval by shareholders, the Company has granted irrevocable options (exercisable within five years from the dates thereof) to purchase 213,600 of such capital shares at a price of \$14.75 each, and, as to the remaining 16,400 capital shares, may grant similar options prior to December 31, 1952 to purchase such shares at a price equivalent to at least 95% of their then fair market value but not less than \$14.50 per share. Pending consummation of the transactions, the 230,000 shares are carried as an asset in the accompanying balance sheets.
3. The operations of The American Express Company, Incorporated (through its own branch offices and the offices of its subsidiaries) are principally in foreign countries. All accounts on the books at the branches of this Company, and at offices of its subsidiary companies, carried in foreign currencies are expressed in the applicable accompanying financial statements at the United States dollar equivalent based on rates of exchange generally prevailing at the end of each respective year.



AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES  
AMERICAN EXPRESS COMPANY  
THE AMERICAN EXPRESS COMPANY, INCORPORATED  
AND CONSOLIDATED SUBSIDIARY COMPANIES

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
DECEMBER 31, 1952

\*\*\*\*\*

HASKINS & SELLS

158

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET  
NEW YORK 4

ACCOUNTANTS' CERTIFICATE

The Directors and Shareholders of  
American Express Company:

We have examined the consolidated balance sheet of American Express Company and consolidated subsidiaries as of December 31, 1952 and the related statement of income and surplus for the year then ended. We have also examined the balance sheet of American Express Company and the consolidated balance sheet of the Company's principal subsidiary, The American Express Company, Incorporated and consolidated subsidiaries. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; as to American Express Company, it was not practicable to reconcile the individual liability balances of travelers cheques and drafts (money orders) with the respective related control accounts but, in view of the accounting procedures followed and the system of internal accounting control in effect, we satisfied ourselves with respect to the aggregate amounts of these liabilities by examination of the control accounts.

In our opinion, the accompanying balance sheets and statement of income and surplus, with their notes, present fairly the respective financial positions of the companies at December 31, 1952 and the results of their operations, on a consolidated basis, for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 8, 1953.

*Haskins & Sells*

AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1952 AND 1951

<u>ASSETS</u>			<u>LIABILITIES</u>		
	<u>1952</u>	<u>1951</u>		<u>1952</u>	<u>1951</u>
CASH ON HAND AND IN BANKS.....	\$ 77,502,612	\$ 56,681,958	CAPITAL - Authorized 2,500,000 shares (\$10 par value) -		
UNITED STATES MILITARY PAYMENT CERTIFICATES ON HAND.....	11,779,277	7,624,059	outstanding 2,230,529 shares (including 4,095 shares		
TIME DEPOSITS.....	4,586,915	2,886,410	held for exchange of old \$100 par value shares) -		
LOANS AND DISCOUNTS.....	5,638,096	6,063,121	(Note 2).....	\$ 22,305,290	\$ 22,305,290
SECURITY INVESTMENTS - At cost (Note 1):			SURPLUS.....	11,858,496	10,264,890
United States Government securities.....	191,680,892	150,643,494	RESERVES FOR CONTINGENCIES.....	3,410,820	3,349,621
United States Government Agencies' securities.....	6,628,224	4,843,841	RESERVES FOR OTHER ITEMS.....	150,054	130,517
Commercial and industrial notes.....	7,289,606	5,582,862	CUSTOMERS' DEPOSITS WITH THE AMERICAN EXPRESS COMPANY,		
State and municipal bonds.....	104,031,099	91,135,223	INCORPORATED.....	192,424,762	126,430,471
Railroad equipment trust certificates.....	6,631,723	6,594,445	TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT.....	236,850,134	211,424,112
Railroad bonds.....	1,133,847	1,026,401	DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	13,846,024	10,469,756
Utility bonds.....	7,956,894	10,895,928	COMMERCIAL CREDITS OUTSTANDING.....	1,827,063	2,183,677
Industrial and miscellaneous bonds.....	8,655,865	2,434,164	ACCRUED AND CURRENT LIABILITIES.....	9,737,607	7,677,724
Canadian and other foreign governments and municipal			OTHER LIABILITIES.....	6,146,615	3,711,235
bonds.....	8,403,604	3,512,263			
Preferred stocks.....	16,422,691	13,352,063			
Common stocks.....	9,096,724	6,966,576			
Total security investments.....	\$367,931,169	\$296,987,260			
Valuation based on published quotations and on yield					
or other quotations: December 31, 1952 -					
\$366,447,000; 1951 - \$293,956,000.					
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE.....	7,570,054	5,922,667			
AMERICAN EXPRESS COMPANY CAPITAL SHARES REACQUIRED AND NOT					
REISSUED - At cost (1952 - 102,500; 1951 - 230,000					
shares) - (Note 2).....	1,588,750	3,565,000			
BRANCH OFFICE AND SUBSIDIARY COMPANY ITEMS IN TRANSIT - Net	5,589,137	4,448,272			
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHEQUES AND					
TRAVELERS LETTERS OF CREDIT ISSUED.....	1,877,350	1,844,105			
DUE FROM SUBSIDIARY COMPANIES NOT CONSOLIDATED.....	1,544,455	1,122,269			
INVESTMENT IN SUBSIDIARY COMPANIES NOT CONSOLIDATED - At					
cost.....	188,389	188,389			
Valuation based on balance sheets of respective					
companies: December 31, 1952 - \$1,236,000; 1951 -					
\$1,274,000.					
LAND, BUILDINGS, AND EQUIPMENT - At cost:					
Less reserves of \$4,791,444 in 1952 and \$4,465,797 in					
1951.....	5,360,611	5,010,341			
CUSTOMERS' LIABILITY UNDER COMMERCIAL CREDITS.....	1,827,063	2,183,677			
OTHER ASSETS:					
Less reserves of \$422,949 in 1952 and \$395,481 in 1951....	5,572,987	3,419,765			
TOTAL.....	\$498,556,865	\$397,947,293			

See Notes to Financial Statements.



## AMERICAN EXPRESS COMPANY

## BALANCE SHEET, DECEMBER 31, 1952 AND 1951

ASSETS

	<u>1952</u>	<u>1951</u>
CASH ON HAND AND IN BANKS.....	\$ 33,539,893	\$ 39,757,290
TIME DEPOSITS.....	1,050,000	
SECURITY INVESTMENTS - At cost (Note 1):		
United States Government securities.....	77,731,458	60,324,292
United States Government Agencies' securities.....	3,452,938	2,143,450
Commercial and industrial notes.....	5,389,763	4,367,578
State and municipal bonds.....	84,920,816	81,893,546
Railroad equipment trust certificates.....	5,829,607	5,740,801
Railroad bonds.....	1,012,827	906,922
Utility bonds.....	7,468,017	10,404,187
Industrial and miscellaneous bonds.....	8,016,246	1,934,503
Canadian and other foreign governments and municipal bonds.....	2,208,131	758,465
Preferred stocks.....	14,429,307	12,666,271
Common stocks.....	7,836,354	5,801,115
Total security investments.....	\$218,295,464	\$186,941,130
Valuation based on published quotations and on yield or other quotations: December 31, 1952 - \$217,326,000; 1951 - \$184,817,000.		
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE.....	1,786,550	1,814,873
AMERICAN EXPRESS COMPANY CAPITAL SHARES REACQUIRED AND NOT REISSUED - At cost (1952 - 102,500; 1951 - 230,000 shares) - (Note 2).....	1,588,750	3,565,000
BRANCH OFFICE ITEMS IN TRANSIT - Net.....	2,008,652	1,499,375
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT ISSUED.....	1,877,350	1,844,105
DUE FROM SUBSIDIARY COMPANIES.....	5,961,165	4,483,729
INVESTMENT IN SUBSIDIARY COMPANIES - At cost:		
The American Express Company, Incorporated.....	6,997,625	6,997,875
Other subsidiary companies.....	1,856,821	1,856,821
Valuation based on balance sheets of respective companies: December 31, 1952 - \$13,581,000; 1951 - \$12,858,000.		
LAND, BUILDINGS, AND EQUIPMENT - At cost:		
Less reserves of \$3,164,351 in 1952 and \$3,030,806 in 1951	3,610,973	3,526,081
OTHER ASSETS:		
Less reserves of \$422,478 in 1952 and \$390,613 in 1951....	996,275	415,586
TOTAL.....	\$279,569,518	\$252,701,865

LIABILITIES

	<u>1952</u>	<u>1951</u>
CAPITAL - Authorized 2,500,000 shares (\$10 par value) -		
Outstanding 2,230,529 shares (including 4,095 shares held for exchange of old \$100 par value shares) - (Note 2).....	\$ 22,305,290	\$ 22,305,290
SURPLUS.....	8,769,967	7,435,447
RESERVES FOR CONTINGENCIES.....	2,304,661	2,351,362
TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT.....	236,850,134	211,424,112
DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	4,396,370	5,026,466
ACCRUED AND CURRENT LIABILITIES.....	4,238,060	3,466,964
OTHER LIABILITIES.....	705,036	692,224
TOTAL.....	\$279,569,518	\$252,701,865

See Notes to Financial Statements.



THE AMERICAN EXPRESS COMPANY, INCORPORATED  
AND CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1952 AND 1951

ASSETS			LIABILITIES		
	1952	1951		1952	1951
CASH ON HAND AND IN BANKS.....	\$ 43,017,474	\$ 16,455,956	CAPITAL - Authorized and outstanding, 60,000 shares (\$100 par value).....	\$ 6,000,000	\$ 6,000,000
UNITED STATES MILITARY PAYMENT CERTIFICATES ON HAND.....	11,779,277	7,624,059	SURPLUS.....	4,044,644	3,803,128
TIME DEPOSITS.....	3,536,915	2,886,410	RESERVES FOR CONTINGENCIES.....	1,106,159	998,259
LOANS AND DISCOUNTS.....	5,638,096	6,063,121	RESERVES FOR OTHER ITEMS.....	150,054	130,517
SECURITY INVESTMENTS - At cost (Note 1):			CUSTOMERS' DEPOSITS.....	192,424,762	126,430,471
United States Government securities.....	113,774,502	89,591,499	DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	9,782,684	5,517,975
United States Government Agencies' securities.....	3,175,286	2,700,391	COMMERCIAL CREDITS OUTSTANDING.....	1,827,063	2,183,677
Commercial and industrial notes.....	1,890,124	1,215,283	ACCRUED AND CURRENT LIABILITIES.....	5,376,505	4,054,644
State and municipal bonds.....	19,110,282	9,241,676	DUE TO AMERICAN EXPRESS COMPANY.....	3,639,554	2,238,763
Railroad equipment trust certificates.....	802,115	853,644	OTHER LIABILITIES.....	5,385,900	2,987,913
Railroad bonds.....	121,019	119,479			
Utility bonds.....	488,876	491,740			
Industrial and miscellaneous bonds.....	633,604	499,661			
Canadian and other foreign governments and municipal bonds	6,195,472	2,753,797			
Preferred stocks.....	1,991,363	683,772			
Common stocks.....	764,753	670,344			
Total security investments.....	\$148,947,396	\$108,821,286			
Valuation based on published quotations and on yield or other quotations; December 31, 1952 - \$148,296,000; 1951 - \$107,820,000.					
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE.....	5,584,773	3,948,635			
BRANCH OFFICE AND SUBSIDIARY COMPANY ITEMS IN TRANSIT - Net.	3,201,643	1,908,000			
LAND, BUILDINGS, AND EQUIPMENT - At cost:					
Less reserves of \$1,614,171 in 1952 and \$1,425,039 in 1951	1,730,995	1,466,542			
CUSTOMERS' LIABILITY UNDER COMMERCIAL CREDITS.....	1,827,063	2,183,677			
OTHER ASSETS.....	4,473,793	2,987,661			
TOTAL.....	\$229,737,425	\$154,345,347	TOTAL.....	\$229,737,425	\$154,345,347

See Notes to Financial Statements.

AMERICAN EXPRESS COMPANY  
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME AND SURPLUS  
FOR THE YEARS ENDED DECEMBER 31, 1952 AND 1951

	<u>1952</u>	<u>1951</u>
<b>INCOME:</b>		
Income from operations.....	\$31,721,632	\$25,146,774
Profit on sales of securities (net).....	176,691	1,271,512
Total.....	<u>\$31,898,323</u>	<u>\$26,418,286</u>
<b>EXPENSES AND TAXES:</b>		
Wages and salaries.....	\$15,037,205	\$12,221,601
Cost of financial paper and other printing and stationery.....	2,047,361	1,671,102
Postage, telephone, telegraph, and cable.....	1,042,879	845,631
Travel, express, and other transportation costs.....	993,708	785,622
Expenses of owned and rented property....	1,503,976	1,357,615
Advertising and literature.....	1,414,377	955,985
Other expenses.....	3,413,737	3,316,556
Taxes other than Federal income taxes....	1,408,509	1,201,890
Total.....	<u>\$26,861,752</u>	<u>\$22,356,004</u>
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAXES.....	\$-5,036,571	\$ 4,062,282
PROVISION FOR FEDERAL INCOME TAXES.....	1,279,640	776,335
NET INCOME.....	\$ 3,756,931	\$ 3,285,947
SURPLUS AT BEGINNING OF YEAR.....	10,264,890	9,233,898
SURPLUS CREDITS.....	14,298	17,148
Total.....	<u>\$14,036,119</u>	<u>\$12,536,993</u>
<b>SURPLUS CHARGES:</b>		
Dividends.....	\$ 2,077,623	\$ 2,172,103
Transfer to reserve for contingencies....	100,000	100,000
Total.....	<u>\$ 2,177,623</u>	<u>\$ 2,272,103</u>
SURPLUS AT END OF YEAR.....	<u>\$11,858,496</u>	<u>\$10,264,890</u>



## NOTES TO FINANCIAL STATEMENTS

1. At December 31, 1952, investment securities with book value aggregating \$83,890,000 were deposited with various agencies (principally United States Government Agencies), pursuant to their requirements. Substantially all of these securities have been deposited by the Company's principal subsidiary, The American Express Company, Incorporated.
  2. In connection with a stock option plan for officers and key employees of American Express Company and subsidiaries, the Company reacquired 230,000 of its capital shares in 1951 at a cost of \$15.50 each and thereafter granted irrevocable options (exercisable within five years from the dates thereof) to purchase these shares at prices ranging from \$14.75 to \$16.10 each, representing at least 95% of their then fair market value. Options exercised in 1952 resulted in the reissuance of 127,500 shares against payment therefor. Pending exercising of the outstanding options, the remaining 102,500 shares are carried as an asset in the applicable accompanying balance sheets.
  3. The operations of The American Express Company, Incorporated (through its own branch offices and the offices of its subsidiaries) are principally in foreign countries. All accounts on the books at the branches of this Company, and at offices of its subsidiary companies, that are carried in foreign currencies, are expressed in the applicable accompanying financial statements at the United States dollar equivalent based on rates of exchange generally prevailing at the end of each respective year.
-

Defendant's Exhibit 8

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET  
NEW YORK 4

April 20, 1954

American Express Company,  
65 Broadway,  
New York 6, N. Y.

Attention of Mr. P. R. Ross,  
Vice President

Dear Sirs:

We acknowledge, with thanks, your letter of April 19, 1954 together with sixteen copies of the Annual Report of American Express Company for the year ended December 31, 1953.

In accordance with your request, we have manually signed one copy and are returning it herewith so that you may have authorization in your files for the publication of our certificate contained therein.

Yours very truly,

*Haskins & Sells*

Enclosure

*2 of 15 87 25*  
*27 11/16/54*  
*Pages 11, 12, 13, 15, 16 of*  
*Report of 1953*  
*Merged together as Report 8A*

Defendant's Exhibit 8A

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# Statement of Consolidated Income and Surplus

FOR THE YEARS ENDED DECEMBER 31, 1953 AND 1952

	1953	1952
INCOME:		
Income from Operations	\$ 35,372,340	\$ 31,721,632
Profit on Sales of Securities (Net)	697,252	176,691
TOTAL	36,069,592	31,898,323
EXPENSES AND TAXES:		
Salaries and Wages	17,155,104	15,037,205
Cost of Financial Paper and Other Printing and Stationery	2,139,240	2,047,361
Postage, Telephone, Telegraph, and Cable	1,213,361	1,042,879
Travel, Express, and Other Transportation Costs	1,123,520	993,708
Expenses of Owned and Rented Property	1,589,000	1,503,976
Advertising and Literature	1,464,587	1,414,377
Other Expenses (Note 3)	5,023,212	3,413,737
Taxes Other Than Federal Income Taxes	1,530,815	1,408,509
TOTAL	31,238,809	26,861,752
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAXES	4,830,783	5,036,571
PROVISION FOR FEDERAL INCOME TAXES	546,701	1,279,640
NET INCOME	4,284,082	3,756,931
SURPLUS AT BEGINNING OF YEAR	11,858,496	10,264,890
Surplus Credits	14,298	14,298
TOTAL	16,156,876	14,036,119
Surplus Charges		
Dividends	2,145,625	2,077,623
Transfer to Reserve for Contingencies		100,000
TOTAL	2,145,625	2,177,623
SURPLUS AT END OF YEAR	\$ 14,011,251	\$ 11,858,496

See Notes to Financial Statements

(467)  
Consolidated Balance Sheet, December 31, 1953 and 1952

ASSETS

	1953	1952
Cash on Hand and in Banks	\$ 85,359,795	\$ 77,502,612
United States Military Payment Certificates on Hand	13,624,796	11,779,277
Time Deposits	8,941,484	4,586,915
Loans and Discounts	5,877,645	5,638,096
Security Investments—At Cost (Note 1)		
United States Government Securities	204,237,363	191,680,892
United States Government Agencies' Securities	5,765,504	6,628,224
State and Municipal Securities	150,958,610	104,031,099
Railroad Equipment Trust Certificates	5,943,692	6,631,723
Industrial, Railroad, and Utility Bonds and Obligations	18,027,414	24,803,403
Canadian and Other Foreign Government and Municipal Bonds	7,560,133	8,636,413
Preferred Stocks	15,847,044	16,422,691
Common Stocks	12,643,195	9,096,724
Total Security Investments	420,982,955	367,931,169
Valuation based on published quotations and on yield on other quotations 1953—\$419,881,000; 1952—\$366,447,000		
Accrued Interest and Accounts Receivable	7,623,747	7,570,054
American Express Company Capital Shares Recquired and not Reissued—At Cost (1953—73,100; 1952—102,500 shares)—(Note 2)	1,133,050	1,588,750
Branch Office and Subsidiary Company Items in Transit—Net	6,486,181	5,589,137
Agreements for Reimbursement covering Travelers Cheques and Travelers Letters of Credit Issued	2,214,984	1,877,350
Due from Subsidiary Companies not Consolidated	1,310,354	1,544,455
Investment in Subsidiary Companies not Consolidated—At Cost	188,389	188,389
Valuation based on balance sheets of respective companies December 31, 1953—\$1,307,000; 1952—\$1,236,000		
Land, Buildings, and Equipment—At Cost:		
Less: Reserves of \$5,135,079 in 1953, and \$4,791,444 in 1952	5,817,790	5,360,611
Customers' Liability under Commercial Credits	1,959,130	1,827,063
Other Assets:		
Less: Reserves of \$468,204 in 1953 and \$432,949 in 1952	2,701,848	5,572,987
TOTAL	\$564,225,148	\$498,556,865

LIABILITIES

Capital—Authorized 2,500,000 shares (\$10 par value)—Outstanding 2,230,529 shares (including 4,036 $\frac{3}{4}$ shares held for exchange of old \$100 par value shares)—(Note 2)	\$ 22,305,290	\$ 22,305,290
Surplus	14,011,251	11,858,496
Reserves for Contingencies	3,354,543	3,410,820
Reserves for Other Items	198,046	150,054
Customers' Deposits with The American Express Company, Incorporated	252,786,669	492,424,762
Travelers Cheques and Travelers Letters of Credit	246,492,781	236,850,134
Drafts and Checks not Presented for Payment	12,033,612	13,846,024
Commercial Credits Outstanding	1,959,130	1,827,063
Accrued and Current Liabilities	8,394,771	9,737,607
Other Liabilities	2,689,055	6,146,615
TOTAL	\$564,225,148	\$498,556,865

See Notes to Financial Statements

(48)

## Balance Sheet, December 31, 1953 and 1952

### ASSETS

1953

1952

Cash on Hand and in Banks	\$ 30,552,577	\$ 33,539,893
Time Deposits	1,000,000	1,050,000
Security Investments—At Cost (Note 1)		
United States Government Securities	71,488,485	77,731,458
United States Government Agencies Securities	2,431,538	3,152,938
State and Municipal Securities	104,977,411	81,920,816
Railroad Equipment Trust Certificates	5,202,873	5,829,607
Industrial, Railroad, and Utility Bonds and Obligations	14,908,322	21,886,853
Canadian and Other Foreign Government and Municipal Bonds	632,799	2,208,131
Preferred Stocks	13,714,360	11,429,307
Common Stocks	10,946,178	7,836,351
Total Security Investments	227,308,961	218,295,464

Valuation based on published quotations and on yield or other quotations  
1953—\$225,597,000; 1952—\$217,326,000

Accrued Interest and Accounts Receivable	2,033,540	1,786,550
American Express Company Capital Shares Reacquired and not Reissued At Cost (1953—73,100; 1952—102,500 shares) (Note 2)	1,133,050	1,588,750
Branch Office Items in Transit—Net	3,608,036	2,008,652
Agreements for Reimbursement covering Travelers Cheques and Travelers Letters of Credit Issued	2,211,984	1,877,350
Due from Subsidiary Companies	6,917,057	5,961,165
Investment in Subsidiary Companies—At Cost		
The American Express Company, Incorporated	6,997,625	6,997,625
Other Subsidiary Companies	1,856,821	1,856,821

Valuation based on balance sheets of respective companies  
December 31, 1953—\$14,593,000; 1952—\$13,881,000

Land, Buildings and Equipment—At Cost		
Less: Reserves of \$3,323,113 in 1953 and \$3,164,351 in 1952	3,865,305	3,610,973
Other Assets		
Less: Reserves of \$455,160 in 1953 and \$422,478 in 1952	1,262,593	996,275
TOTAL	\$288,750,545	\$276,501,518

### LIABILITIES

Capital—Authorized 2,500,000 shares (\$10 par value). Outstanding 2,230,529 shares (including 1,056,445 shares held for exchange of old \$100 par value shares) (Note 2)	\$ 22,305,290	\$ 22,305,290
Surplus	10,506,468	8,760,907
Reserves for Contingencies	2,388,000	2,388,000
Travelers Cheques and Travelers Letters of Credit	2,400,000	2,300,000
Drafts and Checks not Presented for Payment	2,337,574	2,300,570
Accrued and Current Liabilities	5,733,511	4,238,000
Other Liabilities	860,000	705,000
TOTAL	\$48,530,843	\$40,707,767



**Consolidated Balance Sheet, December 31, 1953 and 1952**

<b>ASSETS</b>		<b>1953</b>	<b>1952</b>
Cash on Hand and in Banks		\$ 1,500,000	\$ 1,500,000
United States Military Payment Certificates on Hand		1,500,000	1,500,000
Time Deposits		1,500,000	1,500,000
Loans and Discounts		1,500,000	1,500,000
Security Investments - At Cost (Note 1)			
United States Government Securities		1,500,000	1,500,000
United States Government Agencies Securities		1,500,000	1,500,000
State and Municipal Securities		1,500,000	1,500,000
Railroad Equipment Trust Certificates		1,500,000	1,500,000
Industrial, Railroad, and Utility Bonds and Obligations		1,500,000	1,500,000
Canadian and Other Foreign Government and Municipal Bonds		1,500,000	1,500,000
Preferred Stocks		1,500,000	1,500,000
Common Stocks		1,500,000	1,500,000
Total Security Investments		10,181,799	10,017,300
Valuation based on published quotations and on field office quotations			
1953: \$192,168,000; 1952: \$148,290,000			
Accrued Interest and Accounts Receivable		\$ 371,182	\$ 517,773
Branch Office and Subsidiary Company Items in Transit - Net		1,770,071	3,201,613
Land, Buildings, and Equipment - At Cost			
Less Reserves of \$1,797,786 in 1953 and \$1,619,171 in 1952		820,538	1,730,008
Customers' Liability under Commercial Credits		1,059,130	1,827,063
Other Assets		1,392,374	1,473,703
<b>TOTAL</b>		<b>\$286,737,028</b>	<b>\$229,737,425</b>

**LIABILITIES**

Capital - Authorized and Outstanding, 60,000 shares (\$100 par value)	\$ 6,000,000	\$ 6,000,000
Surplus	4,357,301	4,017,644
Reserves for Contingencies	1,095,593	1,106,150
Reserves for Other Items	198,046	150,054
Customers' Deposits	252,786,669	192,424,762
Drafts and Checks not Presented for Payment	4,891,511	9,782,684
Commercial Credits Outstanding	1,059,130	1,827,063
Accrued and Current Liabilities	4,549,914	5,376,505
Due to American Express Company	4,110,406	3,639,654
Other Liabilities	1,788,458	3,385,900
<b>TOTAL</b>	<b>\$286,737,028</b>	<b>\$229,737,425</b>

See Notes to Financial Statements

## Notes to Financial Statements

(1) At December 31, 1953, investment securities with book value aggregating \$129,353,000 were deposited with various agencies (principally United States government agencies), pursuant to their requirements. Substantially all of these securities have been deposited by the Company's principal subsidiary, The American Express Company, Incorporated.

(2) In connection with a stock option plan for officers and key employees of American Express Company and subsidiaries, the Company reacquired 250,000 of its capital shares in 1951 at a cost of \$15.50 each and thereafter granted irrevocable options (exercisable within five years from the dates thereof) to purchase these shares at prices ranging from \$14.75 to \$16.10 each, representing at least 95% of their then fair market value. Options exercised in 1952 and 1953 resulted in the reissuance of 156,900 shares against payment therefor. Pending exercising of the outstanding options, the remaining 25,100 shares at December 31, 1953 are carried as an asset in the applicable accompanying balance sheets.

(3) During 1953 American Express Company and subsidiaries paid \$627,638 to the Pension Fund Trustee under the new Funded Pension Plan program and this amount is included in "Other Expenses" on the accompanying Statement of Consolidated Income and Surplus. Of this amount \$381,038 represents a payment on account for past service costs the total of which the Company plans to fund over a 30-year period. The Plan may be terminated or modified or amended subject to certain provisions at any time by the Company.

(4) The operations of The American Express Company, Incorporated (through its own branch offices and the offices of its subsidiaries) are principally in foreign countries. All amounts on the books at the branches of this Company, and the offices of its subsidiary companies, that are carried in foreign currencies, are expressed in the applicable accompanying financial statements at the United States dollar equivalent based on rates of exchange generally prevailing at the end of each respective year.

## HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET

NEW YORK

The Directors and Shareholders of American Express Company:

We have examined the consolidated balance sheet of American Express Company and consolidated subsidiaries as of December 31, 1953 and the related statement of income and surplus for the year then ended. We have also examined the balance sheet of American Express Company and the consolidated balance sheet of the Company's principal subsidiary, The American Express Company, Incorporated and consolidated subsidiaries. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; as to American Express Company, it was not practicable to reconcile the individual liability balances of travelers cheques and drafts (money orders) with the respective related control accounts but, in view of the accounting procedures followed and the system of internal accounting control in effect, we satisfied ourselves with respect to the aggregate amounts of these liabilities by examination of the control accounts.

In our opinion, the accompanying balance sheets and statement of income and surplus, with their notes, present fairly the respective financial positions of the companies at December 31, 1953 and the results of their operations, on a consolidated basis, for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 8, 1954

*Haskins & Sells*  
*Haskins & Sells*

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Defendant's Exhibit 9

AMERICAN EXPRESS COMPANY

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
DECEMBER 31, 1939

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HASKINS & SELLS



# HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

37 BROAD STREET  
NEW YORK

## ACCOUNTANTS' CERTIFICATE

### American Express Company:

We have examined the balance sheet of the American Express Company as of December 31, 1939 and the related summary of income and surplus for the year ended that date, have reviewed the system of internal control and the accounting procedures of the Company, and have examined or tested its accounting records and other supporting evidence by methods and to the extent we deemed appropriate. We have furthermore made an examination of the consolidated balance sheet of the Company's principal subsidiary, The American Express Company, Incorporated and its subsidiaries as of December 31, 1939; as to its other subsidiaries, our examination covered their financial statements as of, and for the year ended, such date.

We did not examine the detail records or determine that the aggregate balances thereof were in agreement with the control accounts of certain liabilities as indicated below:

Portion included in a total of \$47,688,482.41	
shown on the balance sheet as "Travelers	
Cheques and Travelers Letters of Credit":	
Travelers cheques outstanding - new series	\$45,560,209.33
Travelers cheques outstanding - old series	186,210.00
Total detail not examined.....	<u>\$45,746,419.33</u>
Portion included in a total of \$1,435,946.83	
shown on the balance sheet as "Drafts and	
Cheques Not Presented for Payment":	
Money orders outstanding - new series.....	\$ 306,406.94
Money orders outstanding - old series.....	8,453.59
C.O.D. money orders outstanding.....	38,341.54
Domestic and foreign cheques outstanding..	88,585.78
Total detail not examined.....	<u>\$ 641,787.81</u>

In connection with the above-mentioned liabilities, we made an examination of the accounting procedure relating to the reporting of sales and the setting-up of the liabilities, and of the procedure relating to accounting for paid paper. We also examined the control accounts for the year and on the basis of our examination and the system of internal accounting control, in our opinion the control accounts for the year are substantially correct.

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Included in the Company's investment in capital stocks of subsidiary companies is an amount of \$9,351,974.16 representing investment in its principal subsidiary, The American Express Company, Incorporated, whose operations (through its own branch offices and the offices of its subsidiaries) are principally in foreign countries, including the European countries affected by the war, and a substantial part of the assets and liabilities of this subsidiary are in such foreign countries.

Depreciation of buildings owned taken up on the books to December 31, 1939 amounted to \$223,198.15 (exclusive of \$224,374.24 provided, in full, for power plant and appurtenances) including \$109,398.30 provided in 1939 by a transfer from a Reserve for Contingencies. Depreciation of such buildings owned (exclusive of power plant and appurtenances) accrued on the basis used for income tax purposes amounted to \$1,437,484.91 at December 31, 1939. The Company, we are informed, regards its "Reserves for Contingencies" as including amounts available for the depreciation of such buildings.

In our opinion, except that all accrued depreciation on buildings owned is not specifically designated as explained in the preceding paragraph, and except as to what effect the war may have had between December 31, 1939 and the present on the property and accounts of the Company's principal subsidiary as they existed at December 31, 1939 (see second preceding paragraph), as to which we are not in a position to express an opinion, the accompanying balance sheet and related summary of income and surplus, with their footnotes, fairly present the financial condition of the Company at December 31, 1939 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles followed by the Company on a basis consistent with that of the preceding year.

*Richard Wells*

New York,

August 26, 1940.

AMERICAN EXPRESS COMPANY  
(Not incorporated; organized under Articles of Incorporation and Association  
on November 25, 1892, under the common law of the State of New York)

BALANCE SHEET, DECEMBER 31, 1939

ASSETS

CASH ON HAND AND IN BANKS.....	\$13,476,490.82	
CASH WITH SUBSIDIARY COMPANIES.....	122,203.42	
TIME DEPOSITS WITH BANKS.....	1,500,000.00	
SECURITY INVESTMENTS:		
Marketable securities:		
United States Government securities (in-		
cludes government agency securities		
guaranteed by the United States Govern-		
ment) - (at amortized cost) - (valua-		
tion based on market quotations, Decem-		
ber 31, 1939, \$10,032,734.38).....	\$ 9,893,951.38	
United States Government Agencies' secur-		
ities (at amortized cost) - (valuation		
based on market quotations, Decem-		
ber 31, 1939, \$669,506.25).....	662,220.35	
Other marketable securities (at net		
written-down values established Decem-		
ber 31, 1933, and subsequent additions		
at cost, less, in both cases, amortiza-		
tion of premiums and discounts applied		
on the basis of cost) - (valuation		
based on published quotations, Decem-		
ber 31, 1939, where available, and on		
yield or other quotations where pub-		
lished quotations were not available,		
\$32,457,724.26).....	\$31,784,443.71	
Total marketable securities.....	\$42,340,615.44	
Other security investment - 4,729 shares		
Discount Corporation of New York - at		
cost (estimated fair valuation,		
\$859,800.00).....	1,504,650.00	43,845,265.44
INVESTMENT IN CAPITAL STOCKS OF SUBSIDIARY COMPANIES, LESS		
RESERVE, \$149,007.34 - At valuation based on net worth		
(including reserve for contingencies, \$967,198.11, and		
legal reserves, \$76,178.90) as shown by balance sheets of		
subsidiary companies, less provision for contingent losses,		
etc. (net).....	\$9,843,358.70	
ACCUMULATED INTEREST AND ACCOUNTS RECEIVABLE:		
Due from subsidiary and affiliated com-		
panies.....	\$ 160,384.47	
Other.....	821,897.22	982,191.89
BRANCH OFFICES' RECEIVING FUNDS AND ITEMS IN TRANSIT, ETC.		
(Net).....	173,491.05	
LAND, BUILDINGS, AND EQUIPMENT:-		
Land.....	\$ 2,532,797.03	
Buildings (includes power		
plant and appurtenances)....	\$2,979,775.36	
Less reserves.....	447,572.39	2,532,202.97
Equipment.....	\$ 640,213.33	
Less reserves.....	408,429.50	231,783.83
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHEQUES AND		
TRAVELERS LETTERS OF CREDIT ISSUED.....	983,923.60	
OTHER ASSETS:		
Miscellaneous securities (at cost or less). \$	25,150.00	
Bank claims in liquidation... \$	28,654.15	
Less reserves.....	11,202.72	13,451.36
Prepaid expenses and deferred		
charges:		
Alteration costs unis-		
tributed.....	\$ 162,706.71	
Other.....	87,022.82	249,729.60
Unadjusted debits.....	\$ 51,352.55	
Less reserves.....	25,827.68	13,524.87
TOTAL.....	\$75,528,756.68	

LIABILITIES

CAPITAL - Authorized and outstanding, 180,000 shares of		
\$100.00 par value each.....	\$18,000,000.00	
SURPLUS.....	4,182,062.35	
RESERVES FOR CONTINGENCIES.....	2,776,954.32	
RESERVE FOR LOSSES AND OTHER ITEMS.....	20,979.72	
TRAVELERS CHEQUES AND TRAVELERS LETTERS OF CREDIT.....	47,688,482.41	
DRAFTS AND CHEQUES NOT PRESENTED FOR PAYMENT.....	1,435,946.83	
DIVIDEND PAYABLE.....	270,000.00	
DUE TO SUBSIDIARY COMPANIES.....	1,139,505.97	
ACCUMULATED AND CURRENT LIABILITIES:		
Due to subsidiary company.....	\$ 93,030.13	
Due to banks.....	82,857.95	
Accrued taxes.....	161,357.04	
Other accrued and current liabilities.....	554,714.62	891,959.74
OTHER LIABILITIES - Unadjusted credits, etc.....		113,175.31

(Continued) - 2

The notes on the page next following are an integral part of this balance sheet.



AMERICAN EXPRESS COMPANY

NOTES TO BALANCE SHEET, DECEMBER 31, 1939

At December 31, 1939 the Company had contingent liabilities as follows:

Forward exchange contracts purchased:

From subsidiary company.....	\$ 288,073.00	
Others.....	<u>2,376,054.38</u>	\$2,664,129.38

Forward exchange contracts sold:

To subsidiary company.....	\$1,663,200.00	
Others.....	<u>170,327.60</u>	1,833,527.60

As guarantor on behalf of The American Express Company, Incorporated (a subsidiary):

For overdrafts on the National Provincial Bank, Limited, to the extent of £300,000.

For accounts of Australian customers to the extent of £15,000.

For sales of Netherland State Railways tickets to the extent of Guilders 100,000.

Assets and liabilities in foreign currencies are expressed in the above balance sheet at the United States dollar equivalent based on rates of exchange prevailing at the year end, or at a lower rate of exchange.

# Includes \$654,000.00 face amount of bonds in default as to interest only, \$50,000.00 face amount in default as to principal only, and \$374,000.00 face amount in default as to interest and principal; these securities are carried on the books at a value of \$778,135.60, and their valuation based on market quotations at December 31, 1939 was \$618,915.00. Also includes securities with a book value of \$108,652.65 deposited as guarantees under workmen's compensation acts, etc.

# Includes \$9,351,974.16 representing investment in its principal subsidiary, The American Express Company, Incorporated, whose operations (through its own branch offices and the offices of its subsidiaries) are principally in foreign countries, including the European countries affected by the war and a substantial part of the assets and liabilities of this subsidiary are in such foreign countries.

SUMMARY OF INCOME AND SURPLUS  
FOR THE YEAR ENDING DECEMBER 31, 1939

INCOME:

Financial.....	\$2,999,984.24	
Transportation.....	340,825.81	
Travel.....	1,061,722.86	
Interest income, net.....	1,133,781.34	
Dividend income:		
Subsidiary companies.....	\$330,530.00	
Other.....	<u>45,183.97</u>	375,713.97
Operations of buildings owned:		
Revenues (see Note 1).....	\$702,958.92	
Expenses.....	<u>423,898.27</u>	
Net revenue.....		279,060.65
Profit on sales of securities (net) - (see Note 2).....		526,400.85
Other income.....		<u>32,714.21</u>
Total.....		\$6,751,204.63

EXPENSES (see Note 1):

Salaries and wages.....	\$2,396,246.03	
Office supplies and expenses.....	921,466.86	
Rent.....	563,838.44	
Advertising.....	326,994.13	
Taxes (excluding real estate taxes, etc., in- cluded above in operations of buildings owned, and including provision for Federal income tax of \$103,002.46).....	276,660.92	
Other expenses.....	<u>683,547.03</u>	
Total.....		<u>3,168,753.45</u>

NET INCOME.....\$1,582,451.18

SURPLUS, JANUARY 1, 1939.....4,072,284.28

SURPLUS ADDITION - Depreciation of securities provided for in  
prior years, recovered on sales of such securities during  
1939 (see Note 2).....251,270.46

GROSS SURPLUS.....\$5,910,705.92

SURPLUS CHARGES:

Dividends.....	\$1,440,000.00	
Transfer to reserve for contingencies.....	275,000.00	
Miscellaneous (net).....	<u>2,643.57</u>	
Total.....		<u>1,717,643.57</u>

SURPLUS, DECEMBER 31, 1939.....\$4,193,062.35

The notes on the page next following are an integral  
part of this statement.

Revenues from operations of buildings owned include \$390,297.15. Inter-departmental income earned to expenses as follows:

Expenses:		
Office supplies and expenses.....	19,810.32	
Rent.....	348,841.47	
Other expenses.....	<u>22,296.33</u>	\$391,052.12
Operations of buildings owned - expenses.....		<u>4,045.03</u>
Total.....		<u>\$390,297.15</u>

The Company revalued its marketable securities owned by charges to surplus (net) for 1932 and 1933 so that at December 31, 1933 they stood on the basis of published quotations where available, and values based on yield or other quotations where published quotations were not available. Recoveries, through sales during the year 1939, of amounts formerly written down have been credited to surplus as shown above. Profit on sales of securities (net) increased as profits on securities sold in 1939 the excess of sales price over amortized cost and as losses the amounts by which the sales price are less than market values. It is the Company's policy to determine profits and losses on securities sold on the "cost" basis or on the "first in, first out" basis in respect to other securities.

Depreciation of buildings owned taken up on the books to December 31, 1939 amounted to \$23,196.15 (exclusive of \$124,374.24 provided, in full, for power plant and apartments), including \$109,398.30 provided in 1939 by a transfer from a reserve for contingencies. Depreciation of such buildings owned (exclusive of power plant and apartments) accrued on the basis used for income tax purposes amounted to \$1,437,484.91 at December 31, 1939. The Company regards its "reserves for contingencies" as including amounts available for the depreciation of such buildings.

Provision for depreciation of the principal building owned was provided on the books during 1938 at the rate of 2-1/2% per annum, based on adjusted cost used for tax purposes. Such depreciation was provided for on the books during 1939 at the rate of 2-1/4% per annum, on the same basis, to conform with the rate determined as allowable by the Federal Government for tax purposes. The change in rates used resulted in a decrease of \$5,321.67 in the provision for depreciation in 1939 as compared with the amount of such provision in 1938.



AMERICAN EXPRESS COMPANY

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
DECEMBER 31, 1941

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**HASKINS & SELLS**  
 CERTIFIED PUBLIC ACCOUNTANTS

87 BROAD STREET  
 NEW YORK

ACCOUNTANTS' CERTIFICATE

American Express Company:

We have examined the balance sheet of the American Express Company as of December 31, 1941, and the related summary of income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. As to the Company's principal subsidiary, The American Express Company, Incorporated, we made examinations of the balance sheets of the Head Office and the New York Agency only of that subsidiary as of December 31, 1941 (see fourth paragraph for explanations re limitations necessarily imposed upon the scope of our work with respect to that subsidiary). As to its other subsidiaries, our examination covered their financial statements as of, and for the year ended, such date.

We did not examine the detail records or determine that the aggregate balances thereof were in agreement with the control accounts of certain liabilities as indicated below:

Portion included in a total of	
249,875,187.03 shown on the balance sheet as "Travelers Cheques and Travelers Letters of Credit":	
Travelers cheques outstanding - new series.....	248,498,269.62
Travelers cheques outstanding - old series.....	142,300.00
	<u>248,640,569.62</u>
Total detail not examined.....	

Portion included in a total of	
1,633,100.03 shown on the balance sheet as "Gifts and Checks Not Presented for Payment":	
Money orders outstanding - new series..	657,657.50
Money orders outstanding - old series..	8,365.13
..... Money orders outstanding.....	34,229.37
Domestic and foreign checks outstanding..	133,317.23
	<u>833,569.23</u>
Total detail not examined..	

In connection with the above-mentioned liabilities, we made an examination of the accounting procedure relating to the reporting of sales and the setting up of the liabilities, and of the procedure relating to accounting for said paper. We also examined the control accounts for the year and on the basis of our examination and the system of internal accounting control, in our opinion the control accounts for the year properly reflect the related transactions.

Included in the Company's investment in capital stocks of subsidiary companies is an amount of \$7,503,536.31 (after deducting applicable portion of the related reserve) representing investment in its principal subsidiary, The American Express Company, Incorporated, whose operations to December 1941 (through its own branch offices and the offices of its subsidiaries) were principally in foreign countries, including the countries affected by the war, and a substantial part of the assets and liabilities of this subsidiary are in such foreign countries. It was not practicable, because of the existing state of war and the disturbed conditions prevailing, for us to examine the accounts of foreign offices of this subsidiary this year; it had been our practice in the past to examine certain of the foreign offices of the Company. Our examination was limited to its domestic offices (Head Office (New York) and New York Agency). As to these offices, certain restrictions were necessarily imposed upon our work because of the war, principally the necessity for curtailing the mailing of requests for independent confirmation of the various assets and liabilities. The Head Office owns land valued at \$1,040,698.79 which is situated in enemy or enemy-occupied countries.

Depreciation of buildings owned by American Express Company taken up on the books to December 31, 1941 amounted to \$574,246.76 (exclusive of \$224,374.24 provided, in full, for power plant and appurtenances). Depreciation of such buildings owned (exclusive of power plant and appurtenances) accrued on the basis used for income tax purposes amounted to \$1,533,274.97 at December 31, 1941. The Company, we are informed, regards its "Reserves for Contingencies" as including amounts available for the depreciation of such buildings.

In our opinion, which is necessarily subject to the limitations imposed upon our work on the accounts of the Company's principal subsidiary (see second preceding paragraph) and except as to the effect of the war on the property and accounts of that subsidiary in foreign countries, with respect to which we are not in a position to express an opinion, and as to the fact that all accrued depreciation on buildings owned is not specifically designated as explained in the preceding paragraph, the accompanying balance sheet and related summary of income and surplus, with their footnotes, fairly present the financial condition of the Company at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Harrison & Wells*

New York,

June 1, 1942.



AMERICAN EXPRESS COMPANY  
(Not incorporated; organized under articles of merger and association  
on November 25, 1868, and under the common law of the State of New York)

BALANCE SHEET, DECEMBER 31, 1941

ASSETS		LIABILITIES	
CASH ON HAND AND IN BANKS.....	\$16,181,027.80	CAPITAL - Authorized and outstanding, 180,000 shares of \$100.00 par value each.....	\$18,000,000.00
CASH WITH SUBSIDIARY COMPANIES.....	336,614.29	SURPLUS.....	3,446,968.48
TIME DEPOSITS WITH BANKS.....	1,000,000.00	RESERVES FOR CONTINGENCIES.....	1,411,471.01
SECURITIES AND INVESTMENTS - At cost or less:		RESERVED FOR LOSSES AND OTHER ITEMS.....	90,408.50
U. S. Government securities.....	\$ 3,615,417.54	TRAVELERS CHECKS AND TRAVELERS LETTERS OF CREDIT.....	49,875,187.03
U. S. Government Agencies' securities.....	610,389.94	DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	1,653,100.03
Short-term notes.....	3,494,017.37	DIVIDEND PAYABLE.....	270,000.00
State and municipal bonds.....	20,627,025.11	DUE TO SUBSIDIARY COMPANIES.....	274,115.22
Railroad bonds.....	1,455,863.46	ACCRUED AND CURRENT LIABILITIES:	
Utility bonds.....	6,671,147.64	Due to subsidiary and affiliated companies.....	\$ 123,984.88
Industrial and miscellaneous bonds...	4,279,846.74	Due to banks.....	9,340.31
Canadian and other foreign govern- ment, provinces, and municipal bonds.....	938,116.42	Accrued taxes.....	426,456.65
Stocks owned of other companies.....	2,680,805.29	Other accrued and current liabilities...	1,206,814.95
Total..... (a) \$4,372,709.51		OTHER LIABILITIES - Unadjusted credits, etc.....	223,429.17
Less reserve.....	456,174.18		
Evaluation based on published quotations and on yield or other quotations, etc. December 31, 1941, \$43,916,535.33.	\$43,916,535.33		
INVESTMENT IN CAPITAL STOCKS OF SUBSIDIARY COMPANIES, Less RESERVE, \$1,586,236.02 - At valuation based on net worth as shown by balance sheets of subsid- iary companies (including their reserves for con- tingencies, \$160,448.32).....	(b) 8,195,222.58		
LOAN RECEIVABLE FROM SUBSIDIARY COMPANY.....	6,000.00		
ACCRUED INTEREST AND ACCOUNTS RECEIVABLE:			
Due from subsidiary and affiliated companies.....	\$ 16,254.14		
Other.....	724,195.62		740,449.76
BRANCH OFFICES' WORKING FUNDS AND ITEMS IN TRANSIT, ETC. (net).....	1,027,547.14		
AGREEMENTS FOR REIMBURSEMENT COVERING TRAVELERS CHECKS AND TRAVELERS LETTERS OF CREDIT ISSUED.....	472,996.55		
LAND, BUILDINGS, AND EQUIPMENT:			
Land.....	\$ 2,532,797.03		
Buildings (includes power plant and appurtenances) \$2,979,775.36			
Less reserves..... (c) 798,621.00	2,181,154.36		
Equipment..... \$ 635,287.76			
Less reserves..... 416,531.48	218,756.28		4,932,707.67
OTHER ASSETS:			
Miscellaneous securities (at cost or less).....	\$ 25,176.00		
Bank claims in liquida- tion.....	\$ 20,022.24		
Less reserve..... 8,485.05	11,537.19		
Prepaid expenses and deferred charges...	99,640.58		
Unadjusted debits..... \$ 112,049.12			
Less reserve..... 46,227.76	65,821.36		202,175.11
TOTAL.....	\$77,011,276.23		
		TOTAL.....	\$77,011,276.23

NOTES: At December 31, 1941 the Company had contingent liabilities as follows:

As guarantor on behalf of The American Express Company, Incorporated (a subsidiary):

For overdrafts on the National Provincial Bank, Limited, to the extent of £300,000.

For accounts of Australian customers to the extent of £15,000.

For sales of Netherland State Railways tickets to the extent of Guilders 100,000.

Assets and liabilities in foreign currencies are expressed in the above balance sheet at the United States dollar equivalent based on rates of exchange prevailing at the year end.

(a) Includes \$769,000.00 face amount of bonds in default as to interest, and \$169,000.00 in default as to interest and principal; these securities are carried on the books at a value of \$331,148.08, and their valuation based on market quotations at December 31, 1941 was \$256,907.50. Also includes securities with a book value of \$119,100.87 deposited as guarantees under workmen's compensation acts, etc.

(b) Includes \$7,803,536.81 (after deducting applicable portion of related reserve) representing investment in its principal subsidiary, The American Express Company, Incorporated.

(c) Accrued depreciation on the Company's 65 Broadway, New York, building has been partially set up.

AMERICAN EXPRESS COMPANYSUMMARY OF INCOME AND SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1941

## INCOME:

## From operations:

Financial.....	13,579,566.27
Transportation.....	260,823.74
Travel.....	662,176.81
Interest income, net.....	1,091,229.42

## Dividend income:

## Subsidiary companies:

The American Express Company, Incorporated.....	3539,883.00
Other.....	14,316.00
Total.....	3554,199.00

Other.....	109,581.54	663,730.54
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## Operation of buildings owned:

Revenues (see Note 1).....	3560,395.63
Expenses.....	530,244.86

30,150.77

Other income.....	5,749.50
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Total.....	36,293,479.05
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## Profit on sales of securities (net) -

(see Note 2).....	922,722.39	37,216,201.44
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## EXPENSES (see Note 1):

Salaries and wages.....	32,271,371.39
Supplies and expenses.....	399,648.52
Rent.....	452,793.21
Advertising.....	352,312.58

Taxes (excluding real estate taxes, etc., included above in operations of buildings owned, and including estimated provision

for federal taxes on income, (354,313.66).....	521,470.56
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Other expenses.....	641,308.03	5,139,504.29
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32,076,697.15

Total, December 31, 1941.....	4,209,981.63
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## Transfer from reserve for contingencies..... 300,000.00

Appreciation of securities provided for in prior years, recognized on sales of such securities during 1941 (see Note 2).....

175,678.29	475,678.29
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36,762,357.07



AMERICAN EXPRESS COMPANY  
SUMMARY OF INCOME AND SURPLUS, ETC.

GROSS SURPLUS - (Forward).....	\$6,762,357.07
SURPLUS CHARGES:	
Dividends.....	\$1,980,000.00
Transfers to reserves:	
Reserved against investment in subsidiary companies.....	879,714.41
Reserved against fluctuations in market value of security investments.....	<u>456,174.18</u>
	<u>3,315,388.59</u>
SURPLUS, DECEMBER 31, 1941.....	<u>\$3,446,968.48</u>

## NOTES:

- Revenues from operations of buildings owned include \$399,993.78 interdepartmental income charged to expenses as follows:  

Rent.....	\$289,809.01
Other (includes \$4,755.50 charged to expenses relating to operations of buildings owned).....	<u>50,184.77</u>
Total.....	<u>\$339,993.78</u>
- The Company revalued its marketable securities owned by charges (net) to surplus in 1932 and 1933 so that at December 31, 1933 they stood on the basis of published quotations where available, and values based on yield or other quotations where published quotations were not available. Recoveries, through sales during the year 1941, of amounts formerly written down have been credited to surplus as shown above. "Profit on sales of securities (net)", includes as profit on securities sold in 1941 the excess of sales prices over amortized costs and as losses the amounts by which the sales prices are less than book values. Profits and losses on securities sold are determined on the "specific certificate or bond" basis with respect to United States Government securities and on the "first-in, first-out" basis with respect to other securities, separately applied as to those in the general portfolio and those purchased for temporary investment.
- Depreciation of buildings owned taken up on the books to December 31, 1941 amounted to \$374,246.76 (exclusive of \$224,374.24 provided, in full, for power plant and appurtenances). Depreciation of such buildings owned (exclusive of power plant and appurtenances) accrued on the basis used for income tax purposes amounted to \$1,533,274.97 at December 31, 1941. The Company regards its "Reserves for Contingencies" as including amounts available for the depreciation of such buildings.



Defendant's Exhibit 11

AMERICAN NATURAL COMPANY

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
& DECEMBER 31, 1942

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ACCOUNTANTS' CERTIFICATE

## American Express Company:

We have examined the balance sheet of the American Express Company as of December 31, 1942, and the related summary of income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. As to the Company's principal subsidiary, The American Express Company, Incorporated, we made examinations of the balance sheets of the Head Office and the New York Agency only of that subsidiary as of December 31, 1942 (see fourth paragraph for explanations re limitations necessarily imposed upon the scope of our work with respect to that subsidiary). As to its other subsidiaries, our examination covered their financial statements as of, and for the year ended such date.

We did not examine the detailed records or determine that the aggregate balances thereof were in agreement with the control accounts of certain liabilities as indicated below:

Portion included in a total of	
\$53,997,936.81 shown on the balance sheet as "Travelers cheques and Travelers letters of credit":	
Travelers cheques outstanding - new series.....	352,736,095.71
Travelers cheques outstanding - old series.....	133,330.00
Total detail not examined...	352,869,425.71

Portion included in a total of	
\$2,391,030.00 shown on the balance sheet as "Gifts and checks not presented for payment":	
Money orders outstanding - new series	1,754,998.71
Money orders outstanding - old series	3,307.22
Domestic and foreign checks outstanding.....	221,326.05
Total detail not examined...	2,984,631.98

In connection with the above-mentioned limitations, we have an opinion of the accounting records relating to the selling of sales and the cutting of the interest of the subsidiary relating to accounting for 1942 year. On the basis of the control accounts for the year and on the basis of our examination and the system of internal accounting control, in our opinion, the control accounts for the year properly reflect the related transactions.

Included in the Company's investment in capital stocks of subsidiary companies is an amount of 7,225,130.34 (after deducting applicable portion of the related reserve) representing investment in its principal subsidiary, The American Express Company, Incorporated, whose operations in normal times (through its own branch offices and the offices of its subsidiaries) were principally in foreign countries, including the countries affected by the war, and a substantial part of the assets and liabilities of the subsidiary are in such foreign countries. It was not practicable, because of the existing state of war and the disturbed conditions prevailing, for us to examine the accounts of foreign offices of this subsidiary for the past two years; it had been our practice prior thereto to examine certain of the foreign offices of this Company. Our examination was limited to its domestic offices (Head Office (New York) and New York Agency). As to these offices, certain restrictions were necessarily imposed upon our work because of the war, principally the necessity for drastically curtailing the mailing of requests for independent confirmation of the various assets and liabilities.

Depreciation of buildings owned by American Express Company taken up on the books to December 31, 1942 amounted to 622,141.79 (exclusive of 9224,374.24 provided, in full, for power plant and appurtenances). Depreciation of such buildings owned (exclusive of power plant and appurtenances) accrued on the basis used for income tax purposes amounted to 31,581,170.00 at December 31, 1942. The Company, we are informed, regard its "Reserves for Contingencies" as including amounts available for the depreciation of such buildings.

In our opinion, which is necessarily subject to the limitations imposed upon our work on the accounts of the Company's principal subsidiary (see second preceding paragraph) and except as to the effect of the war on the property and accounts of that subsidiary in foreign countries, with respect to which we are not in a position to express an opinion, and as to the fact that all accrued depreciation on buildings owned is not specifically designated as explained in the preceding paragraph, the accompanying balance sheet and related summary of income and surplus, with their footnotes, fairly present the financial condition of the Company at December 31, 1942 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Hastings & Co.*

New York,

July 4, 1943.



**AMERICAN EXPRESS COMPANY**  
(Not incorporated; organized under Articles of Incorporation  
on November 25, 1868, and under the common law of the State of New York)

BALANCE SHEET, DECEMBER 31, 1942

**ASSETS**

**LIABILITIES**

CASH ON HAND AND IN BANKS.....	\$18,459,095.16	
CASH WITH SUBSIDIARY COMPANY.....	202,401.74	
SECURITIES AND INVESTMENTS - At cost or less:		
U. S. Government securities.....	\$14,534,603.60	
U. S. Government Agencies' securities.....	160,000.00	
State and municipal bonds.....	20,610,657.52	
Railroad bonds.....	912,945.57	
Utility bonds.....	4,131,815.89	
Industrial and miscellaneous bonds...	3,875,512.47	
Canadian and other foreign government, provinces, and municipal bonds.....	713,405.21	
Stocks owned of other companies.....	3,036,427.97	
Total.....	(a) 347,975,968.23	
Less reserve.....	280,701.11	\$67,274,667.12
*Valuation based on published quotations and on yield or other quotations, etc., December 31, 1942, 347,694,667.12.		
INVESTMENT IN CAPITAL STOCKS OF SUBSIDIARY COMPANY, LAND RESERVE, 12,136,128.47 - At valuation based on net worth as shown by balance sheets of subsidiary companies (including their reserves for contingencies, \$124,056.85).....		(b) 7,676,982.16
ACCOUNTS RECEIVABLE AND ACCOUNTS RECEIVABLE:		
Due from subsidiary and affiliated companies.....	\$ 45,957.40	
Other.....	728,492.50	774,449.90
BRANCH OFFICES' EARNING FUNDS AND FUNDS IN RECEIPT, ETC. (net).....		1,112,470.50
ADVANCEMENTS FOR REIMBURSEMENT COVERING TRAVEL EXPENSES AND TRAVELERS LETTERS OF CREDIT ISSUED.....		402,105.49
LAND, BUILDING, AND EQUIPMENT:		
Land.....	\$ 2,532,797.03	
Buildings (includes power plant and appurtenances).....	32,979,775.36	
Less reserves.....	(c) 846,516.03	2,133,259.33
Equipment.....	634,817.62	
Less reserves.....	429,397.20	205,415.42
		4,871,471.78
PREPAID EXPENSES:		
Miscellaneous securities (including \$301,000.00 U. S. Treasury tax notes) (at cost or less).....	\$ 126,836.00	
Bank claims in liquidation.....	\$ 12,422.97	
Less reserve.....	6,971.28	5,451.69
Repair expenses and deferred charges.....	107,447.60	
Unadjusted debits.....	187,484.07	
Less reserve.....	156,268.21	31,215.86
		470,951.15
TOTAL.....		\$81,664,994.40

CAPITAL - Authorized and outstanding, 180,000 shares of \$100.00 par value each.....	\$18,000,000.00
SURPLUS.....	3,898,967.34
RESERVES FOR CONTINGENCIES.....	1,779,245.15
RESERVED FOR LOSSES AND OTHER ITEMS.....	144,612.35
HOLDERS' CHECKS AND TRAVELERS LETTERS OF CREDIT.....	53,997,936.81
TRAVELERS' CHECKS NOT PRESENTED FOR PAYMENT.....	2,398,801.08
DIVIDEND PAYABLE.....	770,000.00
DUE TO SUBSIDIARY COMPANY.....	11,444.29
ACCUMULATED CURRENT LIABILITIES:	
Due to subsidiary and affiliated companies \$ 76,900.19	
Due to banks.....	4,843.02
Accrued taxes.....	61,404.97
Other accrued and current liabilities.....	226,673.23
	669,821.41
OTHER LIABILITIES - Unadjusted credits, etc.....	442,734.38

TOTAL..... **\$81,664,994.40**

At December 31, 1942 the company had contingent liabilities as follows:

- (a) Guarantor on behalf of The American Express Company, Incorporated (a subsidiary):
- for overdrafts on the National Provincial Bank, Limited, to the extent of £500,000.
- for accounts of Australian customers to the extent of £15,000.
- for sales of Netherlands State Railways tickets to the extent of Guilders 100,000.

Assets and liabilities in foreign currencies are expressed in the above balance sheet as follows:

- (a) Currencies of neutral and unoccupied allied countries - at the United States dollar equivalent based on rates of exchange prevailing at the year end.
- (b) Currencies of enemy and enemy occupied countries - generally at the United States dollar equivalent based on the most recent effective rate of exchange. Asset balances in such currencies have been fully reserved for.
- (c) Includes \$174,000.00 of bonds in default as to interest, and \$169,000.00 in default as to principal; these securities are carried on the balance sheet at a value of \$266,532.53, and their valuation based on market quotations at December 31, 1942 was \$219,260.00. Also included securities with a book value of \$118,137.92 deposited as guarantees under workmen's compensation acts, etc.
- (d) Includes \$1,224,130.00 (after deducting a payable portion of related reserve) representing investment in its principal subsidiary, The American Express Company, Incorporated.
- (e) Carried depreciation on the company's New York, New York, building has been partially set up.

Note

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illegible in the copy.

INCOME:

From operations:

Financial.....	2,538,997.76
Transportation.....	211,150.95
Travel.....	221,150.04
Interest income, net.....	1,065,795.61

Dividend income:

Subsidiary company.....	347,722.00
Other.....	122,322.43
	100,344.43

Operation of buildings owned:

Revenues (see Note 1).....	623,100.10
Expenses and other charges.....	501,951.82
	121,148.28

Other income.....	10,753.34
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Total.....	5,365,740.91
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Profit on sales of securities (net) (see

Note 2).....	315,155.73
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EXPENSES (see Note 1):

Salaries and wages.....	27,037,633.73
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Supplies and expenses.....	745,534.61
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Rent.....	613,745.11
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Advertising.....	140,000.00
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Taxes (excluding real estate taxes, etc., included above in operation of buildings owned) (provision for federal taxes on income not required based on consolidated returns filed by parent company).....	171,112.34
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Other expenses.....	445,345.91
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NET INCOME.....	5,050,258.11
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BALANCE, JANUARY 1, 1942.....	1,111,111.11
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ADJUSTMENTS:

Unclaimed credits from finan-

cial paper accounts of	
------------------------	--

prior years.....	3221,865.44
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Less federal income tax	
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thereon.....	177,315.33
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Depreciation of securities provided for in	
--	--

prior years, recovered on sales of such	
---	--

securities during 1942 (see Note 2).....	1,111.11
--	----------

Adjustment of prior years' federal income taxes.....	1,111.11
--	----------

Transfer from reserve for depreciation	
--	--

in market value of securities investments...	177,315.33
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ADJUSTED BALANCE, JANUARY 1, 1942.....	5,050,258.11
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AMERICAN EXPRESS COMPANY  
SUMMARY OF INCOME AND SURPLUS, 1942.

GROSS SURPLUS - (Forward).....		2,121,892.99
SURPLUS CHANGES:		
Dividends.....	1,350,000.00	
Transfers to reserves:		
Reserve for contingencies.....	500,000.00	
Reserved against investment in subsidiary companies.....	551,892.45	2,231,892.45
SURPLUS, DECEMBER 31, 1942.....		<u>33,708,967.54</u>

NOTES:

- Revenues from operations of buildings owned include \$31,105.41 inter-departmental income charged to expenses as follows:  

Rent.....	3,282,612.00
Other (includes \$4,255.50 charged to ex- penses relating to operations of buildings owned).....	10,193.41
Total.....	<u>\$31,105.41</u>
- The Company revalued its marketable securities and bonds carried in 1932 and 1933 so that at December 31, 1942, the values on the basis of published quotations were available, or values based on yield or other quotations where published quotations were not available. Recoveries, through sales during the year 1942, of amounts formerly written down have been credited to surplus as shown above. "Profit on sales of securities (net)", includes as profit on securities sold in 1942 the excess of sales prices over amortized costs and as losses the amounts by which the sales prices are less than book values. Profits and losses on securities sold are determined on the "specific certificate or bond" basis with respect to United States Government securities and on the "first-in, first-out" basis with respect to other securities, separately applied as to those in the general portfolio and those purchased for temporary investment.
- Depreciation of buildings owned taken up on the basis of December 31, 1942 amounted to 622,141.79 (exclusive of depreciation, in full, for power plant and appliances). Depreciation of such buildings owned (exclusive of power plant and appliances) is determined on the basis used for income tax purposes, namely, straight line at December 31, 1942. The "contingency reserve" as including amounts available for the repair or replacement of buildings.

# HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET

NEW YORK

American Express Company:

We have examined the balance sheet of the American Express Company as of December 31, 1943, and the related statement of income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. As to the Company's principal subsidiary, the American Express Company, Incorporated, we made examinations of the balance sheets of the head office and the New York Agency only of that subsidiary as of December 31, 1943 (see fourth paragraph for explanations re limitations necessarily imposed upon the scope of our work with respect to that subsidiary). As to its other subsidiaries, our examination covered their financial statements as of, and for the year ended such date.

We did not examine the detailed records or determine that the aggregate balances thereof were in agreement with the control accounts of certain liabilities as indicated below:

Portion included in a total of

\$74,944,790.96 shown on the balance

sheet as "Travelers Cheques and

Travelers Letters of Credit":

Travelers cheques outstanding..... \$73,932,014.05

Portion included in a total of

\$3,147,477.77 shown on the balance

sheet as "Drafts and Checks Not

Presented for Payment":

Money orders outstanding..... \$3,146,771.56

In connection with the above-mentioned liabilities, we made an examination of the accounting procedure relating to the reporting of sales and the reporting of the liabilities and of the procedure relating to accounting for such sales. We also examined the control accounts for

(144)

the year and on the basis of our examination and the system of internal accounting control, in our opinion, such control accounts for the year properly reflect the related transactions.

Included in the Company's investment in capital stocks of subsidiary companies is an amount of \$6,998,000.00 representing investment, at cost, in its principal subsidiary, The American Express Company, Incorporated, whose operations in normal times (through its own branch offices and the offices of its subsidiaries) were principally in foreign countries, including the countries affected by the war, and a substantial part of the assets and liabilities of the subsidiary are in such foreign countries. It was not practicable, because of the existing state of war and the disturbed conditions prevailing, for us to examine the accounts of foreign offices of this subsidiary for the past three years; it had been our practice prior thereto to examine certain of the foreign offices of this Company. Our examination was limited to its domestic offices (Head Office (New York) and New York Agency). As to these offices, certain restrictions were necessarily imposed upon our work because of the war, principally the necessity for drastically curtailing the mailing of requests for independent confirmation of the various assets and liabilities.

Depreciation of buildings owned by American Express Company shown up on the books to December 31, 1943 amounted to \$679,366.82 (exclusive of \$224,374.24 provided, in full, for power plant and improvements). Depreciation of such buildings owned (exclusive of power plant and improvements) accrued on the basis used for income tax purposes amounted to \$1,679,365.03 at December 31, 1943. This Company, we are informed, regards its reserves for contingencies including amounts available for the depreciation of such buildings.

In our opinion, which is not subject to the limitations imposed upon our work on the accounts of the Company's principal subsidiary (see second preceding paragraph) as to the effect of the war on the property and accounts of its subsidiary in foreign countries with respect to which we are not in a position to express an opinion, due to the fact that all accrued depreciation on buildings owned by the Company is specifically designated as such in the balance sheet and in the accompanying notes, fairly present and adequate, in our opinion, the accompanying balance sheet and notes, in our opinion, are fair. The balance sheet and notes, in our opinion, are fair and adequate as to the fact that, in conformity with generally accepted accounting principles and practices applied on a consistent basis, the Company has provided for depreciation of its buildings on a basis of cost less accumulated depreciation, and that the depreciation expense for the year ended December 31, 1943, is \$679,366.82.



САНКТ-ПЕТЕРБУРГ, ОКТЯБРЬ 31, 1943

The Notes on the following page are an integral part of this statement.

NOTE TO BALANCE SHEET, DECEMBER 31, 1943

At December 31, 1943 the Company had contingent liabilities as follows:  
As guarantor on behalf of The American Express Company, Incorporated (a subsidiary):

For overdrafts on the National Provincial Bank, Limited, to the extent of £500,000.

For accounts of Australian customers to the extent of £15,000.

For value of Netherlands State Railways tickets to the extent of Guilders 100,000.

- (a) Includes securities with a book value of \$117,264.96 deposited as guarantees under workmen's compensation acts, etc.
- (b) This investment in capital stocks of subsidiary Companies was written down to \$1,414,476.07, being its original cost, at December 31, 1943 by applying, to the carrying value on the books, from surplus \$516,524.72 (see summary of earnings and surplus) together with \$2,138,128.47 previously reserved against investment in capital stocks of subsidiary Companies. The estimated value of this investment at December 31, 1943 was \$1,327,997.71 as indicated above.
- The adjustment of the practice followed for several years whereby this investment was adjusted each year through the medium of charges or credits to surplus or a reserve in order to show it on the balance sheet at its estimated net worth. In future, in the estimated valuation of this investment, a reserve will be provided, and when above cost, the valuation will be noted on the balance sheet.
- (c) Investment in the Company's 25 Broadway, New York, building







**AMERICAN AIRWAYS COMPANY**  
**STATEMENT OF INCOME AND SURPLUS, ETC.**

GROSS SURPLUS - (forward).....	\$6,059,643.46
<b>SURPLUS CHARGES:</b>	
Dividends.....	\$1,620,000.00
Amount applied to investments in subsidiary and affiliated companies to bring amount on books, after application of \$2,138,128.47 previously reserved, to cost of these investments.....	<u>516,124.72</u> <u>2,136,524.72</u>
<b>SURPLUS, DECEMBER 31, 1943.....</b>	<b><u>\$3,923,118.74</u></b>

**NOTES:**

1. Revenues from operations of buildings owned include \$325,140.29 inter-departmental income charged to expenses as follows:

Rent.....	\$278,288.00
Other (includes \$4,255.50 charged to expenses relating to operations of buildings owned)..<	<u>46,852.29</u>
Total.....	<u>\$325,140.29</u>

2. The Company revalued its marketable securities owned by charges (net) to surplus in 1932 and 1933 so that at December 31, 1933 they stood on the basis of published quotations where available, and values based on yield or other quotations where published quotations were not available. Recoveries, through sales during the year 1943, of amounts formerly written down have been credited to surplus as shown above. "Profit on sales of securities (net)", includes as profit on securities sold in 1943 the excess of sales price over amortized costs and as losses the amounts by which the sales prices are less than book values. Profits and losses on securities sold are determined on the "specific certificate or bond" basis with respect to United States Government securities and on the "first-in, first-out" basis with respect to other securities, separately applied as to those in the general portfolio and those purchased for temporary investment.
3. Depreciation of buildings owned taken up on the books to December 31, 1943 amounted to \$670,036.82 (exclusive of \$224,374.24 provided, in full, for power plant and appurtenances). Depreciation of such buildings owned (exclusive of power plant and appurtenances) accrued on the basis used for income tax purposes amounted to \$1,629,065.03 at December 31, 1943. The Company regards its "Reserves for Contingencies" as including amounts available for the depreciation of such buildings.

Defendant's Exhibit 13

AMERICAN EXPRESS COMPANY

REPORT  
ON EXAMINATION  
FOR THE YEAR ENDED  
DECEMBER 31, 1944

\*\*\*\*\*

HASKINS & SELLS

**HASKINS & SELLS**

CERTIFIED PUBLIC ACCOUNTANTS

87 BROAD STREET  
NEW YORK 4ACCOUNTANTS' CERTIFICATE**American Express Company:**

We have examined the balance sheet of the American Express Company as of December 31, 1944, and the related summary of income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. As to the Company's principal subsidiary, The American Express Company, Incorporated, we made examinations of the balance sheets of the Head Office and the New York Agency only of that subsidiary as of December 31, 1944 (see fourth paragraph for explanations re limitations necessarily imposed upon the scope of our work with respect to that subsidiary). As to its other subsidiaries, our examination covered their financial statements as of, and for the year ended such date.

We did not examine the detailed records or determine that the aggregate balances thereof were in agreement with the control accounts of certain liabilities as indicated below:

Portion included in a total of

\$90,073,596.69 shown on the balance sheet as "Travelers Cheques and Travelers Letters of Credit":

Travelers cheques outstanding....	\$89,147,190.11	
Clipper cheques outstanding.....	13,076.00	<u>\$89,160,266.11</u>

Portion included in a total of \$4,519,594.11

shown on the balance sheet as "Drafts and Checks Not Presented for Payment":

Money orders outstanding.....	<u>\$ 3,780,656.64</u>
-------------------------------	------------------------

In connection with the above-mentioned liabilities, we made an examination of the accounting procedure relating to the reporting of



sales and the setting up of the liabilities and of the procedure relating to accounting for paid paper. We also examined the control accounts for the year and on the basis of our examination and the system of internal accounting control, in our opinion such control accounts for the year properly reflect the related transactions.

Included in the Company's investment in capital stocks of subsidiary companies is an amount of \$6,998,000.00 representing investment, at cost, in its principal subsidiary, The American Express Company, Incorporated, whose operations in normal times (through its own branch offices and the offices of its subsidiaries) were principally in foreign countries, including the countries affected by the war, and a substantial part of the assets and liabilities of the subsidiary are in such foreign countries. It was not practicable, because of the existing state of war and the disturbed conditions prevailing, for us to examine the accounts of foreign offices of this subsidiary for the past four years; it had been our practice prior thereto to examine certain of the foreign offices of this company. Our examination was limited to its domestic offices (Head Office (New York) and New York Agency). As to these offices, certain restrictions were necessarily imposed upon our work because of the war, principally the necessity for drastically curtailing the mailing of requests for independent confirmation of the various assets and liabilities.

Depreciation of buildings owned by American Express Company taken up on the books to December 31, 1944 amounted to \$717,931.85 (exclusive of \$224,374.24 provided, in full, for power plant and appurtenances). Depreciation of such buildings owned (exclusive of power plant and appurtenances) accrued on the basis used for income tax purposes amounted to \$1,676,960.06 at December 31, 1944. The Company, we are informed, regards its "Reserve for Contingencies" as including amounts available for the depreciation of such buildings.

In our opinion, which is necessarily subject to the limitations imposed upon our work on the accounts of the Company's principal subsidiary (see second preceding paragraph), and except as to the effect of the war on the property and accounts of that subsidiary in foreign countries with respect to which we are not in a position to express an opinion, and as to the fact that all accrued depreciation on buildings owned is not specifically designated as such as explained in the preceding paragraph, the accompanying balance sheet and summary of income and surplus, with their footnotes, fairly present the financial condition of the Company at December 31, 1944 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

*Haskins & Sells*

New York,

July 5, 1945.

(Incorporated; organized under Articles of Incorporation and Association  
on November 25, 1901, and under the common law of the State of New York)

DECEMBER 31, 1944

LIABILITIES

Cash on hand and in banks.....	18,410,650.31	
Cash in U.S. Treasury.....	182,310.81	
Securities - INVESTMENTS - At cost or less:		
U.S. Government securities.....	\$60,791,072.24	
State and municipal bonds.....	15,296,602.85	
Railroad bonds.....	1,604,403.91	
Utility bonds.....	3,095,485.18	
Industrial and miscellaneous bonds.....	1,631,118.16	
Canadian - Dominion, provinces, and municipal bonds.....	724,619.79	
Stocks owned of other companies.....	4,877,181.88	(A) 88,021,084.01
* Valuation based on published quotations and on yield or other quotations, etc., December 31, 1944, 189,671,797.27.		
INVESTMENT IN SUBSIDIARY COMPANY - At cost (valuation based on net worth as shown by balance sheet of subsidiary companies, 9,348,925.90, including their reserves for contingencies 3461,924.23, and after giving effect to the market valuation of their investment securities (depreciation of 388,198.06)).....	7,412,511.02	
ACCOUNTS RECEIVABLE - At cost or less:		
Due from subsidiary and affiliated com- panies.....	\$ 26,697.55	
Interest and dividends receivable.....	359,738.32	
Other.....	553,926.66	939,862.53
PREPAID OFFICE EXPENSES - IN TRANSIT, ETC. (net).....	1,532,314.68	
ADVANCEMENTS TO SUBSIDIARY COMPANY - TRAVELING CHEQUES, AND TRAVELING EXPENSES - CREDIT BALANCE.....	429,606.84	
LAND, BUILDINGS, AND EQUIPMENT:		
Land.....	\$ 2,532,797.03	
Buildings (includes power plant and appurtenances).....	32,979,775.36	
Less reserves.....	(B) 942,308.09	2,037,469.27
Equipment.....	632,307.07	
Less reserves.....	460,841.34	171,525.73
		4,741,792.03
OTHER ASSETS:		
Miscellaneous securities (including 275,000.00 U.S. Treasury tax notes) (at cost or less).....	\$ 276,714.16	
Bank claims in liquidation.....	1,300.77	
Less reserve.....	804.83	495.94
Repaid expenses and deferred charges.....	103,472.20	
Unadjusted debit.....	284,962.17	
Less reserve.....	130,040.39	154,921.78
		535,604.08
TOTAL.....	\$ 122,205,736.31	

Capital - Authorized and outstanding, 180,000 shares of \$100.00 par value each.....	\$ 18,000,000.00
Surplus.....	4,158,009.78
RESERVE FOR CONTINGENCIES.....	2,208,157.49
RESERVE FOR LOSSES AND OTHER ITEMS.....	64,215.67
TRAVELING CHEQUES AND TRAVELING LETTERS OF CREDIT.....	90,073,596.69
DRAFTS AND CHECKS NOT PRESENTED FOR PAYMENT.....	4,519,594.11
DIVIDEND PAYABLE.....	270,000.00
DUE TO SUBSIDIARY COMPANY.....	8,068.46
ACCRUED AND CURRENT LIABILITIES:	
Due to subsidiary and affiliated com- panies.....	\$ 21,890.07
Due to banks.....	6,878.15
Accrued taxes.....	656,729.51
Other accrued and current liabilities.....	1,016,345.87
OTHER LIABILITIES - Unadjusted credit, etc.....	1,701,843.60
	1,202,250.51

TOTAL..... \$122,205,736.31

NOTE: At December 31, 1944 the Company had contingent liabilities as follows:  
As guarantor on behalf of The American Express Company, Incorporated (a subsidiary):  
For overdrafts on the National Provincial Bank, Limited, to the extent of £500,000.  
For accounts of Australian customers to the extent of £15,000.  
For sales of Netherland State Railways tickets to the extent of Guilders 100,000.  
(A) Includes securities with a book value of \$117,760.12 deposited as guarantees under  
Workmen's Compensation Acts, etc.  
(B) Accrued depreciation on the Company's 65 Broadway, New York, building has been partially  
set up.



AMERICAN EXPRESS COMPANY

SUMMARY OF INCOME AND SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1944

INCOME:

From operations:

Financial.....	\$4,227,997.01	
Transportation.....	155,668.18	
Travel.....	198,853.44	
Interest income, net.....	1,316,276.44	

Dividend income:

Subsidiary companies.....	\$ 54,282.00	
Other.....	235,589.67	289,871.67

Operation of buildings owned:

Revenues (see Note 1).....	\$650,891.97	
Expenses and other charges.	519,302.95	131,589.02

Other income.....		13,369.31
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Total.....	\$6,333,625.07	
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Profit on sales of securities (net) (see

Note 2).....	900,523.69	\$7,234,148.76
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EXPENSES (see Note 1):

Salaries and wages.....	\$2,315,750.78	
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Supplies and expenses.....	877,583.75	
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Rent.....	389,498.63	
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Advertising.....	413,691.17	
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Taxes (excluding real estate taxes, etc., included above in operation of buildings owned and including provision for Federal income taxes of \$499,101.89).....	650,118.22	
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Other expenses.....	617,948.06	5,264,590.61
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NET INCOME.....		\$1,969,558.15
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SURPLUS, JANUARY 1, 1944.....		3,923,118.74
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SURPLUS ADDITION:

Depreciation of securities provided for in prior years, recovered on sales of such securities during 1944 (see Note 2).....		5,332.89
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GROSS SURPLUS.....		\$5,898,009.78
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SURPLUS CHARGES:

Dividends.....	\$1,440,000.00	
Transfer to reserve for contingencies.....	300,000.00	1,740,000.00

SURPLUS, DECEMBER 31, 1944.....		\$4,158,009.78
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The notes on the following page are an  
integral part of this statement.



(P 502)

AMERICAN EXPRESS COMPANY

## NOTES TO

SUMMARY OF INCOME AND SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1944

1. Revenues from operations of buildings owned include 336,686.47 inter-departmental income charged to expenses as follows:

Rent.....	2285,629.87
Other (includes 4,255.50 charged to expenses relating to operation of buildings owned).....	51,056.60
Total.....	<u>336,686.47</u>

2. The Company revalued its marketable securities owned by charges (net) to surplus in 1932 and 1933 so that at December 31, 1933 they stood on the basis of published quotations where available, and values based on yield or other quotations where published quotations were not available. Recoveries, through sales during the year 1944, of amounts formerly writt en down have been credited to surplus as shown above. "Profit or sales of securities (net)", includes as profit on securities sold in 1944 the excess of sales price over amortized costs and as losses the amounts by which the sales prices are less than book values. Profits and losses on securities sold are determined on the "specific certificate or bond" basis with respect to United States Government securities and on the "first-in, first-out" basis with respect to other securities, separately applied as to those in the general portfolio and those purchased for temporary investments.

The value of buildings owned taken at the books as December 31, 1944, is \$717,331.85 (exclusive of \$226,374.24 provided, in 1944, for depreciation of such buildings). Depreciation of such buildings (exclusive of over-plant and appliances), accrued for income tax purposes amounted to \$1,075,960.06 as of December 31, 1944, and is reported in its "Reserves for Contingencies" including amounts available for the depreciation of buildings.

[fol. 657] IN THE UNITED STATES DISTRICT COURT, NORTHERN  
DISTRICT OF ILLINOIS, EASTERN DIVISION

Civil Action No. 53 C 2322

GEORGE W. DOUD, DONALD Q. McDONALD, and J. WESLEY  
CARLSON, doing business as Bondified Systems, and Eu-  
gene Derrick, Plaintiffs, v.

ORVILLE HODGE, Auditor of Public Accounts of the State of  
Illinois, Latham Castle, Attorney General of the State of  
Illinois, and John Gutknecht, State's Attorney of Cook  
County, Illinois, Defendants

OPINION—February 4th, 1955

Before Elmer J. Schnackenberg, Judge of the United  
States Court of Appeals for the Seventh Circuit, and Julius  
J. Hoffman and Walter J. LaBuy, District Judges.

SCHNACKENBERG, Circuit Judge:

Plaintiffs, George W. Doud, Donald Q. McDonald and J.  
Wesley Carlson, as a partnership, and plaintiff, Eugene  
Derrick, agent of said partnership, by their amended com-  
plaint seek an injunction restraining the defendants, who  
are the Auditor of Public Accounts and the Attorney Gen-  
eral of the State of Illinois, and the State's Attorney of  
Cook County, Illinois, from enforcing against said plain-  
tiffs the provisions of the Illinois Community Currency  
Exchange Act,<sup>1</sup> upon the ground that said Act is unconsti-  
tutional in that, according to plaintiffs, it denies them the  
equal protection of the law in violation of Section 1 of the  
Fourteenth Amendment to the Constitution of the United  
States.

[fol. 658] Defendants filed answers and evidence was ad-  
duced by the respective parties.

An amicus curiae makes the contention (which has been  
adopted by the defendants) that this court has no jurisdic-  
tion to decide the question of constitutionality raised by

<sup>1</sup> Secs. 30 to 56.3 inclusive, Chap. 16<sup>1</sup>/<sub>2</sub>, Ill. Rev. Stat. 1953.

plaintiffs because that question has never been presented to the Illinois Supreme Court, and hence the federal courts are without jurisdiction to determine it in the first instance, citing *Spector Motor Co. v. McLaughlin*, 323 U.S. 101, at 104, and *Federation of Labor v. McAdory*, 325 U.S. 450, at 471.

The amended complaint alleges that the partnership is organized for the purpose of, intends to engage, and has been engaging, not in the ordinary business of a currency exchange, but exclusively in the business of selling and issuing money orders under the firm name "Bondified Systems" in the Counties of DuPage and Cook and other portions of the State of Illinois. That business is to be conducted through agents, who are principally persons engaged in operating retail drug, hardware and grocery stores.

It is also alleged by plaintiffs, and proved by the evidence, that on August 11, 1953, they appointed the plaintiff Derrick (who conducts a drug store) as their agent for the sale to the public of postcard checks and money orders issued by the partnership firm.

Section 1 of the Act<sup>2</sup> provides in part:

"§ 1. For the purposes of this Act: 'Community currency exchange' means any person, firm, association, partnership or corporation, except banks incorporated under the laws of this State and National Banks organized pursuant to the laws of the United States, engaged at a fixed and permanent place of business, in the business or service of, and providing facilities for, cashing checks, drafts, money orders or any other evidences of money acceptable to such community currency [fol. 659] exchange, for a fee or service charge or other consideration, or engaged in the business of selling or issuing money orders under his or their or its name, or any other money orders (other than United States Post Office money orders, American Express Company money order-, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders); or engaged in both such businesses; or engaged in performing any one or more of the foregoing services."

<sup>2</sup> Sec. 31, Chap. 16½, *ibid.*



Section 8 of said Act<sup>3</sup> provides in part:

“§ 8. A community . . . currency exchange shall not be conducted as a department of another business. It must be an entity, financed and conducted as a separate business unit. . . .”

Plaintiffs contend that the exemption of those engaged in the business of selling or issuing American Express Company money orders is “wholly unwarranted” and is “highly discriminatory.”

Plaintiffs also contend that “the arbitrary, discriminatory character of” the Act “as applied to plaintiffs . . . engaged exclusively in the business of selling and issuing money orders is further illustrated by the exemption from said statute of sale of American Express Company money orders by persons, firms, and corporations whose principal business consists in the operation of retail drug, hardware and grocery stores.” This contention means briefly that plaintiffs’ agent cannot sell and issue money orders as an adjunct to his drug store business while an agent of American Express, its direct competitor, can do just that.

The admissions in the pleadings establish that American Express Company is an aggregation of individuals operating under a joint stock company plan. It is not a corporation. It sells and issues money orders in the City of Chicago, through operators of drug and grocery stores. It does not operate under any franchise granted by the State of Illinois and is not subject to regulation by any regulatory body thereof.

It thus appears that plaintiffs intend to engage in only one phase of the activities in which a community currency [fol. 660] exchange may engage if licensed under the Act in question; that is, the business of selling or issuing money orders under their name. It also appears that American Express Company, which is exempt from the operation of the Act, is engaging in the same activity. It further appears that plaintiffs intend to, and American Express Company does, engage in this business through agents operating retail stores of the same types.

<sup>3</sup>Sec. 38, Chap. 16½, *ibid.*

Plaintiffs argue that "it is the function and duty of this court to determine whether or not the Act in question violates the Fourteenth Amendment as applied to these plaintiffs."

On the other hand the amicus curiae and the defendants argue that it is not the function and duty of this court to determine that question unless and until plaintiffs secure an answer to that question from the Illinois Supreme Court.

It would seem that a plausible argument could be made, on behalf of plaintiffs, to the Illinois Supreme Court, predicated upon the fact that the identical similarity of the business conducted by American Express Company, which is exempt from regulation under the Act, and that in which plaintiffs intend to engage and which on its face the Act says must be regulated by the State, is an arbitrary discrimination. If this argument were made to and accepted as valid by the Illinois Supreme Court, it might well grant to plaintiffs the very relief which they are seeking in this court and hence a suit of this character would be unnecessary. A three judge court, in a case involving a similar situation arising under the currency exchange act of the State of Wisconsin, held that the exemption of American Express Company rendered the statute discriminatory and unconstitutional as applied to the plaintiff in that case. *Currency Services v. Matthews*, 90 F. Supp. 40, at 43, 45. However, there no question was raised as to the federal court's jurisdiction, such as the question which now confronts us.

[fol. 661] Whether in plaintiffs' situation the Illinois Supreme Court would hold the exemption of American Express Company from the application of the Act constitutional or unconstitutional we do not know. Not having that prescience and being unwilling to guess as to how the Illinois court would decide this question when and if it were presented to it, we have no jurisdiction to make that decision ourselves. Hence we cannot decide the constitutional question presented in the absence of such authoritative determination by the Illinois Supreme Court.

Plaintiffs seem to argue that in *McDougal v. Lueder*, 389 Ill. 141, the Illinois Supreme Court has already, in effect, decided that the Illinois Act, as to plaintiffs, does not violate the equal protection of the law provision of the federal con-

stitution, and, accordingly, this court should grant appropriate relief, and that no further state court decision is necessary. In so urging, plaintiffs overlook the plain distinction between the business of the plaintiffs in the *McDougall* case and the business in which they (plaintiffs herein) intend to engage. That distinction plaintiffs themselves have made and emphasized. The *McDougall* plaintiffs were engaged in the general broad activities of a currency exchange, as distinguished from the limited activities in which plaintiffs herein intend to engage. As we have seen, American Express Company operates only that part of a general currency business which is limited to the issuing and selling of money orders. It does it, without a license issued under the Act, within the same limits plaintiffs wish to operate without being licensed. The Illinois Supreme Court might find that to deny plaintiffs that right would be to deprive them of the same protection which American Express Company enjoys under the law. It well may be that the Illinois Supreme Court would hold the exemption of American Express Company unconstitutional as applied to [fol. 662] persons in the position of these plaintiffs and at the same time adhere to its holding that the exemption is constitutional as applied to persons in the position of the *McDougall* plaintiffs. See: *Roberts & Schaefer Co. v. Emerson*, 271 U.S. 50, at 54 (affirming 313 Ill. 137). The federal courts, before passing on the question urged by the present plaintiffs, must wait until the Illinois Supreme Court has spoken in answer to that same question.

It is therefore necessary that the amended complaint be dismissed for want of jurisdiction. Counsel for defendants will present an order accordingly within five days.

[fols. 663-664] HOFFMAN, District Judge, dissenting:

I am aware of no decision in which the Supreme Court of the United States has held that a federal district court must, or even should, refuse to entertain a suit under the circumstances present here. The jurisdiction of this court is properly invoked. The plaintiffs, supported by the decision of another three judge court in *Currency Services, Inc. v. Matthews*, 90 F. Supp. 40 (W.D. Wis. 1950), have raised a sub-



stantial federal constitutional question. The application of the challenged statute to the plaintiffs is unquestioned, and the Supreme Court of Illinois has already upheld the exemption of American Express Company without suggesting that its decision in any way rested on the nature of the activities of the plaintiffs in the decided case [*McDougall v. Lueder*, 389 Ill. 141 (1945)]. The balance between state-federal relations is not so delicate that it would be upset by this court's consideration of the merits of the plaintiffs' claim that the Illinois Currency Exchange Act has deprived them of the equal protection of the laws.

I would grant the prayer of the plaintiffs' amended complaint.

[fol. 665] IN THE UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

[Title omitted]

#### FINDINGS OF FACT AND CONCLUSIONS OF LAW

This matter coming on to be heard before a three judge court convened pursuant to 28 U.S.C. § 2281 and 2284, upon the amended complaint filed by plaintiffs and the answers filed by the defendants, and the court having heard evidence presented in open court and having considered all such evidence heretofore taken, as well as all exhibits offered and received in evidence, and the matter having been argued by counsel, and the court having heard the statements and arguments of counsel and being fully advised in the premises, makes the following findings of fact and conclusions of law:

#### Findings of Fact

The court finds:

(1) This is an action in equity brought by plaintiffs pursuant to the provisions of Sections 2281 and 2284 of Title 28 U.S.C. seeking a permanent injunction to enjoin Orville Hodge, Auditor of Public Accounts of the State of Illinois [fol. 666] Latham Castle, Attorney General of the State of Illinois, and John Gutknecht, State's Attorney of Cook County, Illinois, from enforcing against the plaintiffs the

provisions of the Illinois Community Currency Exchanges Act, Sections 30 to 56.3 of Chapter 16<sup>1/2</sup> of the Illinois Revised Statutes, 1953, and also praying that said Act be declared unconstitutional and void in its application to plaintiffs on the ground that it denies the plaintiffs the equal protection of the law in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States.

(2) The amount in controversy herein exceeds the sum of \$3,000, exclusive of interest and costs.

(3) The plaintiffs George W. Doud, Donald G. McDonald and J. Wesley Carlson constitute a partnership which is organized for the purpose of, intends to engage, and has been engaging not in the ordinary business of a currency exchange, but exclusively in the business of selling and issuing money orders under the firm name "Bondified Systems"; in the Counties of DuPage and Cook and other portions of the State of Illinois. That business is to be conducted through agents who are principally persons engaged in operating retail drug, hardware and grocery stores.

(4) On August 11, 1953, said plaintiffs appointed the plaintiff Derrick (who conducts a drug store) as their agent for the sale to the public of post card checks and money orders issued by the partnership firm.

(5) American Express Company is an aggregation of individuals operating under a joint stock company plan. It is not a corporation. It sells and issues money orders in the City of Chicago, Illinois, through operators of drug and grocery stores. It does not operate under any franchise granted by the State of Illinois and is not subject to regulation by any regulatory body thereof.

(6) It thus appears that plaintiffs intend to engage in only one phase of the activities in which a currency exchange may engage if licensed under the Act in question; that is the [fol. 667-668] business of selling or issuing money orders under their name. It also appears that American Express Company, which is exempt from the operation of the Act, is engaging in the same activity.

(7) It further appears that plaintiffs intend to, and American Express Company does, engage in this business through agents operating retail stores of the same types.

(8) American Express Company operates only that part of a general currency exchange business which is limited to

the issuing and selling of money orders. It does it without a license issued under the Act within the same limits plaintiffs wish to operate without being licensed.

### Conclusions of Law

1. Plaintiffs' application for a permanent injunction should be denied and the amended complaint should be dismissed for want of jurisdiction at plaintiffs' costs.

2. This court cannot decide the constitutional question presented in the absence of an authoritative determination by the Illinois Supreme Court that the exemption of American Express Company is constitutional as applied to persons in position of these plaintiffs.

Enter: Elmer J. Schnackenberg, Judge of the United States Court of Appeals. Walter J. LaBuy, Judge of the United States District Court. Julius J. Hoffman, Judge of the United States District Court.

Dated: February —, 1955.

[fols. 669-670] IN THE UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

Civil Action No. 53C 2322

GEORGE W. DOUD, ET AL., PLAINTIFFS

vs.

ORVILLE HODGE, AUDITOR, ET AL., DEFENDANTS

ORDER OF DISMISSAL—February 9, 1955

This action has been heard by this court, Elmer J. Schnackenberg, Circuit Judge Presiding, and Walter J. LaBuy and Julius J. Hoffman, District Judges, sitting. The Court has heard and considered the evidence and arguments of counsel and has read and considered the briefs. It is fully advised in the premises.

Thereupon it is ordered in accordance with the views expressed in this Court's opinion, Schnackenberg, J. and



LaBuy, J. concurring and Hoffman, J. dissenting, that the plaintiffs' action be and it is dismissed for want of this Court's jurisdiction.

Enter Elmer J. Schmackerberg, Judge; Walter J. LaBuy, Judge.

Dated February 9, 1955.

[fol. 671] [File endorsement omitted]

IN THE UNITED STATES DISTRICT COURT NORTHERN DISTRICT  
OF ILLINOIS, EASTERN DIVISION

[Title omitted]

NOTICE OF APPEAL TO THE SUPREME COURT OF THE UNITED  
STATES—Filed April 8, 1955

## I

Notice is hereby given that George W. Doud, Donald Q. McDonald, and J. Wesley Carlson, doing business as Bondified Systems, and Eugene Derick, plaintiffs in the above entitled cause, hereby appeal to the Supreme Court of the United States from the final decree dismissing the complaint, entered in this action on February 9, 1955. This appeal is taken pursuant to 28 U.S.C.A., Section 1253.

## II

The clerk will please prepare a transcript of the record in this cause, for transmission to the Clerk of the Supreme [fol. 672] Court of the United States, and include in said transcript the following:

1. The amended complaint.
2. The defendants' answers.
3. Findings of fact and conclusions of law dated February 9, 1955.
4. Order of dismissal dated February 9, 1955.
5. This notice of appeal.

## III.

The following questions are presented by this appeal:

(1) Whether the Illinois Community Currency Exchanges Act denies to plaintiffs the equal protection of the laws in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States in view of the identical similarity of the business conducted by American Express Company in Illinois and that in which plaintiffs are engaged and intend to engage in Illinois, in that

(a) said statute imposes license fees and conditions upon the sale of Bondified Systems money orders in separate business establishments, and exempts such sales of American Express Company money orders from all such requirements;

(b) said statute absolutely prohibits the plaintiffs from engaging in a lawful business, namely, the sale of money orders in retail stores, while permitting American Express Company to engage in the same activity;

(c) said statute permits operators of retail stores, [fol. 673-682] including the plaintiff Derrick, to sell American Express Company money orders, but prohibits them from selling Bondified Systems money orders.

(2) Whether the jurisdiction of the federal court is dependent upon a prior determination of the constitutionality of the status as to plaintiffs by the state Supreme Court, the statute being clear and unambiguous, and its application to plaintiffs being unquestioned.

John J. Yowell, Attorney for Plaintiffs, 111 Washington St., Chicago 2, Ill.

Proof of Service (omitted in printing)

[fol. 683] UNITED STATES OF AMERICA,  
Northern District of Illinois vs.:

I, Roy H. Johnson, Clerk of the United States District Court for the Northern District of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of the proceedings had of record made in accordance with the Designations filed in this Court in the cause entitled: George W. Doud, Donald Q. McDonald, and J. Wesley Carlson, doing business as Bondified Systems, and Eugene Derrick, Plaintiffs, vs. Orville Hodge, Auditor of Public Accounts of the State of Illinois, Latham Castle, Attorney General of the State of Illinois, and John Gutknecht, State's Attorney of Cook County, Illinois, Defendants, No. 53 C. 2322, as the same appear from the original records and files thereof now remaining among the records of the said Court in my office, except the original exhibits which are incorporated herein by direction of this Court.

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Chicago, Illinois, this 3rd day of June 1955.

Roy H. Johnson, Clerk; By Grizella Butcher, Deputy Clerk.



[fol. 684] SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1955

No. 129

GEORGE W. DOUD, ET AL., Doing Business as Bondified  
Systems and Eugene Derrick, Appellants,

vs.

ORVILLE HODGE, AUDITOR OF PUBLIC ACCOUNTS OF THE  
State of Illinois, et al.

ORDER NOTING PROBABLE JURISDICTION—October 10, 1955

APPEAL from the United States District Court for the  
Northern District of Illinois.

The statement of jurisdiction in this case having been  
submitted and considered by this Court, probable juris-  
diction is noted.

(5811-5)

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U.S. COURT OF APPEALS  
SEVENTH CIRCUIT

IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1954

*No.*

GEORGE W. DOUD, DONALD Q. McDONALD, and J.  
WESLEY CARLSON, doing business as BONDED  
SYSTEMS, and EUGENE DERRICK,

*Appellants,*

*vs.*

ORVILLE HODGE, Auditor of Public Accounts of the  
State of Illinois, LATHAM CASTLE, Attorney General of  
the State of Illinois, and JOHN GUTKNECHT, State's  
Attorney of Cook County, Illinois,

*Appellees.*

APPEAL FROM UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

**STATEMENT AS TO JURISDICTION.**

JOHN J. YOWELL  
111 W. Washington Street,  
Chicago 2, Illinois  
Attorneys for Appellants.

Dated, June 3, 1955.

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IN THE  
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1954

No.

GEORGE W. DOUD, *et al.*,

*Appellants.*

vs.

ORVILLE HODGE, Auditor of Public Accounts of the  
State of Illinois, *et al.*,

*Appellees.*

APPEAL FROM UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

**STATEMENT AS TO JURISDICTION.**

**(a) THE OPINIONS BELOW.**

The opinion of the United States District Court for the Northern District of Illinois, Eastern Division, upon dismissing the suit after trial and the dissenting opinion were reported in 127 Federal Supplement 853, and are appended.



**(b) THE GROUNDS ON WHICH THE JURISDICTION OF THIS COURT IS INVOKED.**

**(i) NATURE OF THE PROCEEDING**

This is a suit by three citizens of Illinois, constituting a partnership, and their agent, another citizen of Illinois, seeking an injunction restraining the Auditor of Public Accounts, the Attorney General of the State of Illinois, and the State's Attorney of Cook County from enforcing against plaintiffs the provisions of the Illinois Community Currency Exchanges Act upon the ground that it is unconstitutional in that it denies to plaintiffs the equal protection of the law in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States. It was filed pursuant to Title 28 U.S.C.A. 1331 (the matter exceeding in value the jurisdictional amount) arising under the first section of the Fourteenth Amendment to the Constitution of the United States, the amended complaint challenging as a denial of the equal protection of the law the statute and threatened State action. Pursuant to Title 28 U.S.C.A. 2281 and 2284, after answers were filed and trial on the merits, a judgment was rendered by a District Court of three judges, denying an injunction and dismissing the suit for want of jurisdiction.

**(ii) DATE OF JUDGMENT AND OF NOTICE OF APPEAL.**

The final judgment, which is here sought to be reviewed, was entered on February 9, 1955, and the notice of appeal was filed on April 8, 1955, in the United States District Court for the Northern District of Illinois, Eastern Division.

(iii) **THE STATUTORY PROVISIONS BELIEVED TO  
CONFER JURISDICTION OF THE APPEAL.**

It is believed that this Court has jurisdiction of this appeal under U.S.C.A. Title 28, Sections 1253 and 2101(b).

(iv) **CASES BELIEVED TO SUSTAIN THE JURIS-  
DICTION.**

The following cases are believed to sustain jurisdiction of this appeal: *Hines v. Davidowitz*, 312 U.S. 52; *Thompson v. Consolidated Gas Utilities Corp.*, 300 U.S. 55; *Valentine v. Great Atlantic & Pacific Tea Co.*, 299 U.S. 32; *Stewart Dry Goods Co. v. Lewis*, 294 U.S. 550; *Sterling v. Constantin, et al.*, 287 U.S. 378; *Railroad Commission of California v. Los Angeles Ry. Corp.*, 280 U.S. 145; *Fidelity & Deposit Co. of Maryland v. Tafoya*, 270 U.S. 426; *Michigan Public Utilities Commission v. Duke*, 266 U.S. 570; *Pacific Tel. & Tel. Co. v. Kyte*, 265 U.S. 196; *Hart v. B. F. Keith Vaudiville Exchange*, 262 U.S. 271; *Oklahoma Natural Gas Co. v. Russell*, 261 U.S. 290; and *South Covington, etc. Ry. Co. v. Newport*, 259 U.S. 97.

(v) **THE STATUTE INVOLVED.**

This case involves the validity of the Illinois statute entitled "An Act in Relation to the Definition, Licensing and Regulation of Community Currency Exchanges and Ambulatory Currency Exchanges, and the Operators and Employees Thereof, and to Make an Appropriation Therefor and to Provide Penalties and Remedies for the Violation Thereof, approved June 30, 1943, Illinois Laws of 1943, Volume 1, page 223; title as amended by Act approved June 27, 1951, Laws 1951, page 562; Chapter 161 1/2, Revised Statutes of Illinois 1953, Sections 30 to 56.3, both inclusive. The statutory provisions involved are lengthy and the text of the statute is set forth in the appendix.

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**(c) QUESTIONS PRESENTED BY THE APPEAL**

The following questions are presented, as stated in the notice of appeal:

1. Whether the Illinois Community Currency Exchanges Act denies to plaintiffs the equal protection of the laws in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States in view of the identical similarity of the business conducted by American Express Company in Illinois and that in which plaintiffs are engaged and intend to engage in Illinois, in that:

(a) Said statute imposes licens fees and conditions upon the sale of Bondified Systems money orders in separate business establishments and exempts such sales of American Express Company money orders from all such requirements;

(b) Said statute absolutely prohibits the plaintiffs from engaging in a lawful business, namely, the sale of money orders in retail stores, while permitting American Express Company to engage in the same activity;

(c) Said statute permits operators of retail stores, including the plaintiff Derrick, to sell American Express Company money orders, but prohibits them from selling Bondified Systems money orders.

2. Whether the jurisdiction of the Federal Court is dependent upon a prior determination of the constitutionality of the statute as to plaintiffs by the State Supreme Court, the statute being clear and unambiguous and its application to plaintiffs being unquestioned.



(d) **THE FACTS MATERIAL TO CONSIDERATION  
OF THE QUESTIONS PRESENTED:**

The amended complaint alleged and the court found that the plaintiffs Bond, McDonald and Carlson, constituting a partnership doing business under the firm name of Bondified Systems, reside in the City of Wheaton, DuPage County, Illinois, have their office and principal place of business in Chicago, Illinois, and engage exclusively in the business of selling and issuing money orders up to \$100.00 in amount under the firm name "Bondified Systems" through agents engaged in operating retail stores; that the plaintiff Derrick, as the agent of the partnership, is engaged in the sale and issuance of "Bondified" money orders in his drug store at Wheaton, Illinois; that American Express Company, an aggregation of individuals, not a corporation, sells and issues money orders in Illinois through operators of drug and grocery stores; that it does not operate under any franchise granted by the State of Illinois and is not subject to regulation by any regulatory body thereof, and that it is engaging in the same activity in which plaintiffs have been engaged and desire to engage, namely, the business of selling money orders through agents operating retail stores.

The challenged Act defines a community currency exchange as a person, firm or corporation engaged (a) in the business of cashing checks, drafts and money orders, or (b) in the business of selling or issuing money orders, or (c) in both such businesses; it contains two classes of exemptions, first, banks, second, persons, firms and corporations selling or issuing United States Post Office money orders, Postal Telegraph Company money orders, Western Union Telegraph Company money orders, or American Express Company money orders; it prohibits all

persons, firms or corporations except those exempted from engaging in the business of selling or issuing money orders, without first securing a license to do so from the State Auditor of Public Accounts, the payment of prescribed fees and submitting to the requirements of the Act, and it absolutely prohibits all persons, firms or corporations except those exempted from selling money orders as a department of another business, or in any room in which any other business, trade or profession is conducted.

The amended complaint alleges that the classification made by said Act is unconstitutional and void and in violation of the provisions of Section 1 of the Fourteenth Amendment to the Constitution of the United States in that (1) American Express Company operates its money order business in substantially the same manner in which plaintiffs operate, and there is no substantial basis for exempting from the operation of the Act persons, firms or corporations which sell American Express Company money orders and not persons, firms and corporations selling and issuing the plaintiffs' money orders; (2) that the exemption of American Express Company money orders is wholly unwarranted, not germane to the purpose of the statute and highly discriminatory; that American Express Company agents in issuing money orders are in direct competition with the plaintiffs, residents and citizens of the State of Illinois, who are forbidden to operate in the same manner as American Express Company.

It is further alleged that the defendants, the Auditor of Public Accounts and the Attorney General of the State, have threatened the plaintiffs with action in the courts of the State of Illinois to prevent continuance of their business and to enforce the provisions of said Act by criminal prosecution.

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The defendants filed answers and the case was tried on the merits before the three judge court which found facts substantially as above set forth and then concluded that it could not decide the constitutional question presented for lack of jurisdiction "in the absence of an authoritative determination by the Illinois Supreme Court that the exemption of American Express Company is constitutional as applied to persons in the position of these plaintiffs", notwithstanding that the Supreme Court of the State had held in *McDougall v. Lueder*, 389 Ill. 141, that the statute is valid, that the exemption is valid, and that the General Assembly would not have passed the Act without the exemption, and notwithstanding the decision of another three judge court in *Currency Services, Inc. v. Matthews*, 90 Fed Suppl. 40. In the dissenting opinion it was said that "the plaintiffs, supported by the decision of another three judge court \* \* \* have raised a substantial federal constitutional question. The application of the challenged statute to the plaintiffs is unquestioned and the Supreme Court of Illinois has already upheld the exemption of American Express Company without suggesting that its decision in any way rested on the nature of the activities of the plaintiffs in the decided case."

**(c) REASONS WHY THE QUESTIONS PRESENTED  
ARE SO SUBSTANTIAL AS TO REQUIRE PLEN-  
ARY CONSIDERATION.**

This appeal appropriately draws in question the validity under the Federal Constitution of a state statute and actions threatened by state officers upon their construction and insistence that the statute is valid and applicable to the plaintiffs, and the questions presented are so substantial as to require plenary consideration.



A determination is sought whether the District Court was correct (a) in denying plaintiffs' application for a permanent injunction after a trial on the merits and after every material allegation of the amended complaint was either admitted or found as a fact by the court, in view of this Court's decisions in *Torao Takahashi v. Fish & Game Commission*, 334 U.S. 410; *Pierre v. State of Louisiana*, 306 U.S. 354; *Hartford, etc. v. Harrison*, 301 U.S. 459; *Stewart Dry Goods Co. v. Lewis*, 294 U.S. 550; *Louisville Gas & Electric Co. v. Coleman*, 277 U.S. 32; *Hopkins v. Southern California Telephone Co.*, 275 U.S. 393; *Schlesinger v. Wisconsin*, 270 U.S. 230; *Air-Way Appliance Corp. v. Day*, 266 U.S. 71; *Truax v. Corrigan*, 257 U.S. 312; *Royster Guano Co. v. Virginia*, 253 U.S. 412; *Southern Railway Co. v. Greene*, 216 U.S. 400; *Connolly v. Union Sewer Pipe Co.*, 184 U.S. 540; and (b) in holding that the federal courts have no jurisdiction to determine the constitutionality of the Act, or to give relief, unless and until the Supreme Court of Illinois has again passed upon the Act and held it constitutional as applied to plaintiffs, in view of this Court's decisions in *Thompson v. Consolidated Gas Utilities Corp.*, 300 U.S. 55; *Sterling v. Constantin, et al.*, 287 U.S. 378; *Fidelity & Deposit Co. of Maryland v. Tafoya*, 270 U.S. 426; *Michigan Public Utilities Commission v. Duke*, 266 U.S. 570; *Pacific Tel. & Tel. Co. v. Kaykendall*, 265 U.S. 196; *Oklahoma Natural Gas Co. v. Russell*, 261 U.S. 230; *Hart v. B. F. Keith Vanderhille Exchange*, 262 U.S. 271; *So. Carington Ry. Co. v. Newport*, 259 U.S. 97.

The decision is in sharp conflict with *Currency Services, Inc., et al. v. Matthews, et al.*, 90 Fed. Suppl. 40, holding unconstitutional under similar circumstances the Wisconsin statute which was copied from the Illinois statute in question. A substantial constitutional question of far-reaching

importance is presented in whether the federal courts are powerless to prevent continuing loss while from day to day and month to month citizens of a state are being deprived of the right to conduct a lawful business when their competitors, citizens of other states, are given a virtual monopoly, when the Supreme Court of the state has held that the statute is valid, that the exemption is valid and that the General Assembly would not have passed the Act without the exemption.

Respectfully submitted,

JOHN J. YOWELL,  
111 W. Washington Street,  
Chicago 2, Illinois,  
*Attorney for Appellants.*

## APPENDIX.

### COPY OF STATUTE HERE INVOLVED.

Illinois Revised Statutes 1953, Chapter 16 $\frac{1}{2}$ , Sections 30. to 56.3, inclusive.

### COMMUNITY CURRENCY EXCHANGES

AN ACT in relation to the definition, licensing and regulation of community currency exchanges and ambulatory currency exchanges, and the operators and employees thereof, and to make an appropriation therefor, and to provide penalties and remedies for the violation thereof. Approved June 30, 1943. L.1943, vol. 1, p. 233. Title as amended by act approved June 27, 1951. L.1951, p. 562.

*Be it enacted by the People of the State of Illinois, represented in the General Assembly:*

§ 30. *Findings and declaration of General Assembly.*

§ 30.1. The General Assembly has found and declares:

That the community currency exchange business, as hereinafter defined in Section 1 has become so widespread since the bank holiday in 1933, and so extensively and intimately integrated with the financial institutions of this State that it is affected with a public interest and should be licensed and regulated as a business affecting the convenience, general welfare, and economic interest of the people of this State;

that no community currency exchange should be operated without a license, or otherwise than in accordance with the regulations provided in, or to be provided pursuant to this Act;

that the number of community currency exchanges should be limited in accordance with the needs of the communities they are to serve, and in accordance with the provisions of this Act;



that there has arisen also the ambulatory currency exchange business, as hereinafter defined in Section 1, which has engaged heretofore in unlicensed competition with the licensed community currency exchange business;

that it is in the public interest to promote and foster the community currency exchange business and to assure the financial stability thereof;

that the operations of the ambulatory currency exchange business have enabled it to appropriate the most profitable function of the community currency exchange business without incurring the expenses of, or subjecting itself to the regulations imposed upon the community currency exchange business, and to secure thereby an unfair advantage; that there has resulted therefrom an unfair and ruinous competition to the licensed community currency exchange business;

that the nature of the ambulatory currency exchange business is such as to render it hazardous and dangerous to the public safety and security;

that the public welfare demands that no ambulatory currency exchange business should be operated without a license, or otherwise than in accordance with the regulations provided in, or to be provided pursuant to this Act. Added by act approved June 27, 1951, L.1951, p. 562.

*31. Definitions—Businesses to which Act applicable.]*

§ 1. For the purposes of this Act:

“Community currency exchange” means any person, firm, association, partnership or corporation, except banks incorporated under the laws of this State and National Banks organized pursuant to the laws of the United States, engaged at a fixed and permanent place of business, in the business or service of, and providing facilities for, cashing checks, drafts, money orders or any other evidences of money acceptable to such community currency exchange, for a fee or service charge or other consideration, or engaged in the business of selling or issuing

money orders under his or their or its name, or any other money orders (other than United States Post Office money orders, American Express Company money orders, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders), or engaged in both such businesses, or engaged in performing any one or more of the foregoing services.

"Ambulatory Currency Exchange" means any person, firm, association, partnership or corporation, except banks organized under the laws of this State and National Banks organized pursuant to the laws of the United States, engaged in one or both of the foregoing businesses, or engaged in performing any one or more of the foregoing services, at any location other than that of a fixed and permanent place of business of his, their or its own.

"Auditor" means the Auditor of Public Accounts.

Nothing in this Act shall be held to apply to any person, firm, association, partnership, or corporation who is engaged primarily in the business of transporting for hire, bullion, currency, securities, negotiable or non-negotiable documents, jewels or other property of great monetary value and who in the course of such business and only as an incident thereto, cashes checks, drafts, money orders or other evidences of money directly for, or for the employees of and with the funds of and at a cost only to, the person, firm, association, partnership or corporation for whom he or it is then actually transporting such bullion, currency, securities, negotiable or non-negotiable documents, jewels, or other property of great monetary value, pursuant to a written contract for such transportation and all incidents thereof, nor shall it apply to any person, firm, association, partnership or corporation engaged in the business of selling tangible personal property at retail who, in the course of such business and only as an incident thereto, cashes checks, drafts, money orders or other evidences of money. As amended by act approved June 27, 1951. 14951, p. 562.

32. *License to operate community currency exchange—Penalty for operation without license—Injunction.* § 2. No person, firm, association, partnership or corporation shall engage in the business of a community currency exchange or in the business of an ambulatory currency exchange without first securing a license to do so from the Auditor.

Any person, firm, association, partnership or corporation issued a license to do so by the Auditor shall have authority to operate a community currency exchange or an ambulatory currency exchange, as defined in Section 1 hereof.

No license shall be issued for the conduct of an ambulatory currency exchange on any public street or highway. An ambulatory currency exchange shall be required to and shall secure a license or licenses for the conduct of its business at each and every location served by it, as provided in Section 4 hereof. No license issued for the conduct of its business at one location shall authorize the conduct of its business at any other location.

Any person, firm, association, partnership or corporation that violates this section shall be fined not less than \$500.00 nor more than \$1000.00 or imprisoned in the county jail for not more than one year, or both, and the Attorney General or the State's Attorney of the county in which the violation occurs shall file a complaint in the Circuit Court of the county to restrain the violation. As amended by act approved June 27, 1951. L.1951, p. 562.

33. *Powers of community currency exchanges.* § 3. No community or ambulatory currency exchange shall be permitted to accept money or evidences of money as a deposit to be returned to the depositor or upon the depositor's order; and no community or ambulatory currency exchange shall be permitted to act as bailee or agent for persons, firms, partnerships, associations or corporations to hold money or evidences thereof or the proceeds therefrom for the use and benefit of the owners thereof, and deliver such money or pro-



ceeds of evidence of money upon request and direction of such owner or owners; provided, that nothing contained herein shall prevent a community or an ambulatory currency exchange from obtaining state automobile and city vehicle license, for a fee or service charge, or from rendering a photostat service, or from rendering a notary service either by the proprietor of the currency exchange or any one of its employees, authorized by the State of Illinois to act as a notary public, or from selling travelers cheques obtained by the currency exchange from a banking institution under a trust receipt, or from issuing money orders or from accepting for payment local utility bills; provided, further, that in accepting any such payment the community or ambulatory currency exchange shall not be deemed to act as agent for the local utility, nor shall such community or ambulatory currency exchange be authorized to receipt for such payment in the name, or on behalf, of such utility. As amended by act approved June 27, 1951. L.1951, p. 562.

33.1 *Income tax service.*] § 3.1. Nothing in this Act shall prevent a currency exchange from rendering State or Federal income tax service; nor shall the rendering of such service be considered a violation of this Act if such service be rendered either by the proprietor or any of his employees. Added by act approved Aug. 3, 1949. L.1949, p. 336.

34. *Application for license—Contents—Fees.*] § 4. Application for such license shall be in writing under oath and in the form prescribed and furnished by the Auditor. Each application shall contain the following:

(a) The full name and address (both of residence and place of business) of the applicant, and if the applicant is a partnership or association, of every member thereof, and the name and business address if the applicant is a corporation;

(b) The county and municipality, with street and number, if any, where the community currency exchange is to be conducted, if the application is for a community currency exchange license;

(c) If the application is for an ambulatory currency exchange license, the names and addresses of the plants or businesses at the location or locations to be served by it; and

(d) The applicant's occupation or profession; a detailed statement of his business experience for the ten years immediately preceding his application; a detailed statement of his finances; his present or previous connection with any other currency exchange; whether he has ever been involved in any civil or criminal litigation, and the material facts pertaining thereto; whether he has ever been committed to any penal institution or admitted to an institution for the care and treatment of mentally ill persons; and the nature of applicant's occupancy of the premises to be licensed where the application is for a community currency exchange license. If the applicant is a partnership, the information specified herein shall be required of each partner. If the applicant is a corporation the said information shall be required of each officer and director thereof.

Such application shall be accompanied by a fee of \$25.00 which fee shall be for the cost of investigating the applicant. When the application for a community exchange license has been approved by the Auditor and the applicant so advised, an additional sum of \$50.00 as an annual license fee for a period terminating on the last day of the current calendar year shall be paid to the Auditor by the applicant; provided, that the license fee for an applicant applying for such a license after July 1st of any year shall be \$25.00 for the balance of such year.

When the application for an ambulatory currency exchange license has been approved by the Auditor and such applicant so advised, such applicant shall pay an annual license fee of \$10.00 for each and every location to be served by such applicant; provided that such license fee for an approved applicant applying for such a license after July 1st of any year shall be \$5.00 for the balance of such year for each and every location to be served by

such applicants. An approved applicant shall not be required to pay the initial investigation fee of \$25.00 more than once. Such an approved applicant, when applying for a license with respect to a particular location, shall file with the Auditor, at the time of filing an application, a letter or memorandum, which shall be in writing and under oath, signed by the owner or authorized representative of the place of business where service is to be rendered; such letter or memorandum shall contain a statement that such service is desired, and that the person signing the same is authorized so to do. As amended by act approved June 27, 1951, L.1951, p. 562.

*31.1. Investigation to determine advisability of granting application—“Community” defined.] § 4.1. Upon receipt of an application for a license for a community currency exchange, the Auditor shall investigate the need of the community for the establishment of a community currency exchange at the location specified in the application.*

“Community”, as used in this Act means a locality where there may or can be available to the people thereof the services of a community currency exchange reasonably accessible to them. If the issuance of a license to engage in the community currency exchange business at the location specified, will not promote the convenience and advantage of the community in which the business of the applicant is proposed to be conducted, then the application shall be denied. As amended by act approved June 26, 1951, L.1951, p. 551.

*31.2. Ownership held in estate—Continuing operation by Executor etc. License.] § 4.2. Whenever the ownership of any Currency Exchange, theretofore licensed under the provisions of this Act, shall be held or contained in any estate subject to the control and supervision of any Administrator, Executor, Guardian or Conservator appointed, approved or qualified by any Court of the State of Illinois, having jurisdiction so to do, such Administrator, Executor, Guardian, or Conservator, may, upon the entry of an order by such Court granting leave*



to continue the operation of such Currency Exchange, apply to the Auditor of Public Accounts for a license under the provisions of this Act. When any such Administrator, Executor, Guardian or Conservator shall apply for a Currency Exchange License pursuant to the provisions of this Section, and shall otherwise fully comply with all of the provisions of this Act relating to the application for a Currency Exchange license, the Auditor may issue to such applicant a Currency Exchange license. Any Currency Exchange license theretofore issued to a Currency Exchange, for which an application for a license shall be sought under the provisions of this Section, if not previously surrendered, lapsed, or revoked, shall be surrendered, revoked or otherwise terminated before a license shall be issued pursuant to application made therefor under this Section. Added by act approved Aug. 3, 1949. L.1949, p. 336.

35. *Bond — Conditions — Amount.* § 5. Before any license shall be issued to a community currency exchange the applicant shall file annually with and have approved by the Auditor a surety bond, issued by a bonding company or insurance company authorized to do business in this State in the principal sum of \$3,000.00. Such bond shall run to the Auditor and shall be for the benefit of any creditors of such currency exchange for any liability incurred by the currency exchange on any money orders issued or sold by the currency exchange and for any liability incurred by the currency exchange for any sum or sums due to any payee or endorsee of any check, draft or money order left with the currency exchange for collection, and for any liability incurred by the currency exchange in connection with the rendering of any of the services referred to in Section 3 of this Act.

If after the expiration of one year from the issuance of the license the Auditor shall determine that the average amount of such liability during said year has exceeded the sum of \$4,000.00 and has been less than \$5,000.00, the Auditor shall require the licensee to furnish a bond for the ensuing year to be approved by the

Auditor in the principal sum of \$4,000.00. If such average amount is in excess of \$5,000.00 the bond shall be for an additional principal sum of \$1,000.00 for each \$1,000.00 or fraction thereof in excess of the original \$5,000.00; however, the maximum amount of such bond shall not exceed the principal sum of \$25,000.00. As amended by act approved June 26, 1951. L.1951, p. 551.

36. *Insurance against burglary, etc.—Amount.*] § 6. Every applicant for a license hereunder shall, after his application for a license has been approved, file with and have approved by the Auditor, a policy or policies of insurance issued by an insurance company or indemnity company authorized to do business under the laws of this State, which shall insure the applicant against loss by burglary, larceny, robbery, forgery or embezzlement in a principal sum as hereinafter provided; if the average amount of cash and liquid funds to be kept on hand in the office of the community currency exchange during the year will not be in excess of \$2,500 the policy or policies shall be in the principal sum of \$2,500. If such average amount will be in excess of \$2,500, the policy or policies shall be for an additional principal sum of \$500 for each \$1,000 or fraction thereof of such excess over the original \$2,500, provided that the maximum amount of such insurance shall in no event exceed the principal sum of \$35,000.00. From time to time the Auditor may determine the amount of cash and liquid funds on hand in the office of any community currency exchange and shall require the licensee to submit additional policies if the same are determined to be necessary in accordance with the requirements of this section.

Any such policy or policies, with respect to forgery, may carry a condition that the community currency exchange assumes the first \$50 of each claim thereunder. As amended by act approved July 10, 1953. L.1953, p. ...., H.B.No.811.

37. *Minimum funds to be kept available—Receiver.*] § 7. Each community currency exchange shall have, at all times, a minimum sum of \$3,000 of its own cash funds

available for the uses and purposes of its business, and said minimum sum shall be exclusive of and in addition to funds received for exchange or transfer; and in addition thereto each such licensee shall at all times have on hand an amount of liquid funds sufficient to pay on demand all outstanding money orders issued by it.

In the event a receiver is appointed in accordance with Section 15.1 of this Act and the Auditor determines that the business of the currency exchange should be liquidated, and if it shall appear that the said minimum sum was not on hand or available at the time of the appointment of the receiver, then the receiver shall have the right to recover in any court of competent jurisdiction from the owner or owners of such currency exchange or from the stockholders and directors thereof if such currency exchange was operated by a corporation, said sum or that part thereof which was not on hand or available at the time of the appointment of such receiver. Nothing contained in this section shall limit or impair the liability of any bonding or insurance company on any bond or insurance policy relating to such community currency exchange issued pursuant to the requirements of this Act, nor shall anything contained herein limit or impair such other rights or remedies as the receiver may otherwise have at law or in equity. As amended by act approved June 26, 1951. L. 1951, p. 551.

38. *Exchange to be conducted as separate unit.*] § 8. A community or an ambulatory currency exchange shall not be conducted as a department of another business. It must be an entity, financed and conducted as a separate business unit. This shall not prevent a community or an ambulatory currency exchange from leasing a part of the premises of another business for the conduct of this business on the same premises; provided, that no community currency exchange shall be conducted on the same premises with a business whose chief source of revenue is derived from the sale of alcoholic liquor for consumption on the premises; provided, further, that no community currency exchange hereafter licensed for the first time



shall share any room with any other business, trade or profession nor shall it occupy any room from which there is direct access to a room occupied by any other business, trade or profession. As amended by act approved June 27, 1951. L.1951, p. 562.

39. *No tokens to be issued.* § 9. No community or ambulatory currency exchange shall issue tokens to be used in lieu of money for the purchase of goods or services from any enterprise. As amended by act approved June 27, 1951. L.1951, p. 562.

40. *Qualifications of applicant—Approval—Term of license—Hearing—Denial of license—Review.* § 10. The applicant, and its officers and directors, if a corporation, shall be vouched for by two reputable citizens of this State setting forth that the individual mentioned is (a) personally known to them to be trustworthy and reputable, (b) that he has business experience qualifying him to competently conduct, operate, own or become associated with a currency exchange, (c) that he has a good business reputation and is worthy of a license. Thereafter, the Auditor shall, upon approval of the application filed with him, issue to the applicant qualifying under this Act a license to operate a currency exchange. If it is a license for a community currency exchange, the same shall be valid only at the place of business specified in the application. If it is a license for an ambulatory currency exchange, it shall entitle the applicant to operate only at the location or locations specified in the application, provided the applicant shall secure separate and additional licenses for each of such locations. Such licenses shall remain in full force and effect until they are surrendered by the licensee, or revoked, or expire, as herein provided. If the Auditor shall not so approve, he shall not issue such license or licenses and shall notify the applicant of such denial, retaining the \$25.00 investigation fee to cover the cost of investigating the applicant. The Auditor shall approve or deny every application hereunder within ninety days from the filing thereof; except that in respect to application for an approved ambulatory currency ex-

change for a license with regard to a particular location to be served by it, the same shall be approved or denied within twenty days from the filing thereof.

No application shall be denied unless the applicant has had notice of a hearing on said application and an opportunity to be heard thereon. If the application is denied, the Auditor shall, within twenty days thereafter prepare and keep on file in his office a written order of denial thereof, which shall contain his findings with respect thereto and the reasons supporting the denial, and shall send by United States mail a copy thereof to the applicant at the address set forth in the application, within five days after the filing of such order. A review of any such decision may be had as provided in Section 22.01 of this Act. As amended by act approved June 27, 1951. L.1951, p. 562.

*40.1 Subpoenas — Documentary evidence — Hearing — Court order to obey subpoena.*] § 10.1; For the purposes of this Act, the Auditor, and the hearing officer, as hereinafter provided, shall have power to require by subpoena the attendance and testimony of witnesses, and the production of all documentary evidence relating to any matter under hearing pursuant to this Act, and shall issue such subpoenas at the request of any interested party. The hearing officer may sign subpoenas in the name of the Auditor.

The Auditor may, in his discretion, direct that any hearing pursuant to this Act, shall be held before a competent and qualified agent of the Auditor, whom the Auditor shall designate as the hearing officer in such matter. The Auditor, and the hearing officer, are hereby empowered to, and shall, administer oaths and affirmations to all witnesses appearing before them. The hearing officer, upon the conclusion of the hearing before him, shall certify the evidence to the Auditor.

Any Circuit Court of this State, within the jurisdiction of which such hearing is carried on, may, in case of contumacy, or refusal of a witness to obey a subpoena, issue

an order requiring such witness to appear before the Auditor, or the hearing officer, or to produce documentary evidence, or to give testimony touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. Added by act approved June 26, 1951. L.1951, p. 551.

41. *Form of license—Posting.*] § 11. Such license, if issued for a community currency exchange, shall state the name of the licensee and the address at which the business is to be conducted. Such license shall be kept conspicuously posted in the place of business of the licensee and shall not be transferable or assignable. If issued for an ambulatory currency exchange, it shall so state, and shall state the name and office address of the licensee, and the name and address of the location or locations to be served by the licensee, and shall not be transferable and assignable. As amended by act approved June 27, 1951. L.1951, p. 562.

42. *Additional bond.*] § 12. If the Auditor shall find at any time that the bond is insecure or exhausted or otherwise doubtful, an additional bond in like amount to be approved by the Auditor shall be filed by the licensee within thirty (30) days after written demand therefor upon the licensee by the Auditor.

43. *Number of licenses—Change of location.*] § 13. No more than one place of business shall be maintained under the same license, but the Auditor may issue more than one license to the same licensee upon compliance with the provisions of this Act governing an original issuance of a license, for each new license.

Whenever a licensee shall wish to change the name or place of business as originally set forth in his license, he shall give written notice thereof to the Auditor and if the change is approved by the Auditor he shall attach to the license, in writing, a rider stating the new name or the new address or location of the community currency exchange.

Every application for a change of location of a community currency exchange shall be treated by the Auditor



with respect to the approval or disapproval of the proposed location, in the same manner as is otherwise provided in this Act for the treatment of proposed locations as contained in original applications for community currency exchange licenses; and if any fact or condition then exists with respect to the application for change of location, which fact or condition would otherwise authorize denial of an original application for a community currency exchange license because of the proposed location, then such application for change of location shall not be approved. As amended by act approved June 26, 1951. L.1951, p. 551.

§43.1 *Consolidation of places of business.*] §13.1 Whenever two or more licensees shall desire to consolidate their places of business, they shall make application for such consolidation to the Auditor upon a form provided by him. This application shall state: (a) the name to be adopted and the location at which the business shall be located, which name and location shall be the same as one of the consolidating licensees; (b) that the owners, or all partners, or all stockholders, as the case may be, of the licensees involved in the contemplated consolidation, have approved the application; (c) a certification by the secretary, if any of the licensees be corporations, that the contemplated consolidation has been approved by all of the stockholders at a properly convened stockholders meeting; (d) other relevant information the Auditor may require. Simultaneously with the approval of the application by the Auditor, the licensee or licensees who will cease doing business shall: (a) surrender their license or licenses to the Auditor; (b) transfer all of their assets and liabilities to the licensee continuing to operate by virtue of the application; (c) apply to the Secretary of State, if they be corporations, for surrender of their corporate charter in accordance with the provisions of "The Business Corporation Act", filed July 13, 1933, as amended.

An application for consolidation shall be approved or rejected by the Auditor within 30 days after receipt by

raised by plaintiffs because that question has never been presented to the Illinois Supreme Court, and hence the federal courts are without jurisdiction to determine it in the first instance, citing *Spector Motor Co. v. McLaughlin*, 323 U. S. 101, at 104, and *Federation of Labor v. McAdory*, 325 U. S. 450, at 471.

The amended complaint alleges that the partnership is organized for the purpose of, intends to engage, and has been engaging, not in the ordinary business of a currency exchange, but exclusively in the business of selling and issuing money orders under the firm name "Bondified Systems" in the Counties of DuPage and Cook and other portions of the State of Illinois. That business is to be conducted through agents, who are principally persons engaged in operating retail drug, hardware and grocery stores.

It is also alleged by plaintiffs, and proved by the evidence, that on August 11, 1953, they appointed the plaintiff Derrick (who conducts a drug store) as their agent for the sale to the public of postcard checks and money orders issued by the partnership firm.

Section 1 of the Act provides in part:

"§ 1. For the purposes of this Act: 'Community currency exchange' means any person, firm, association, partnership or corporation, except banks incorporated under the laws of this State and National Banks organized pursuant to the laws of the United States, engaged at a fixed and permanent place of business, in the business or service of, and providing facilities for, cashing checks, drafts, money orders or any other evidences of money acceptable to such community currency exchange, for a fee or service charge or other consideration, or engaged in the business of selling or issuing money orders under his or their or

him of such application and supporting documents required thereunder.

Such consolidation shall not affect suits pending in which the surrendering licensees are parties; nor shall such consolidation affect causes of action nor the rights of persons in particular, nor shall suits brought against such licensees in their former names be abated for that cause.

Nothing contained herein shall limit or prohibit any action or remedy available to a licensee or to the Auditor under Sections 15, 15.1 or 15.2 of this Act. Added by act approved July 10, 1953. L.1953, p. —, H.B.No.811.

44. *Annual license fee.*] § 14. Every licensee, shall, on or before November 15, pay to the Auditor the annual license fee or fees for the next succeeding calendar year and shall at the same time file with the Auditor the annual report required by Section 16 of this Act, and the annual bond or bonds, and the insurance policy or policies as and if required by this Act. The annual license fee for each community currency exchange shall be \$50.00. The annual license fee for each location served by an ambulatory currency exchange shall be \$10.00. As amended by act approved June 27, 1951. L.1951, p. 562.

45. *Revocation of license—Surrender—New license—Hearing—Notice of revocation—Review.*] § 15. The Auditor may, upon ten days notice to the licensee by United States mail directed to the licensee at the address set forth in the license, stating the contemplated action and in general the grounds therefor, and upon reasonable opportunity to be heard prior to such action, revoke any license issued hereunder if he shall find that:

(a) The licensee has failed to pay the annual license fee or to maintain in effect the required bond or bonds or insurance policy or policies or to comply with any order, decision, or finding of the Auditor made pursuant to this Act, or that



its name, or any other money orders (other than United States Post Office money orders, American Express Company money order, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders), or engaged in both such business, or engaged in performing any one or more of the foregoing services."

Section 8. of said Act provides in part:

"§ 8. A community \* \* \* currency exchange shall not be conducted as a department of another business. It must be an entity, financed and conducted as a separate business unit \* \* \*"

Plaintiffs contend that the exemption of those engaged in the business of selling or issuing American Express Company money orders is "wholly unwarranted" and is "highly discriminatory."

Plaintiffs also contend that "the arbitrary, discriminatory character of" the Act "as applied to plaintiffs \* \* \* engaged exclusively in the business of selling and issuing money orders is farther illustrated by the exemption from said statute of sale of American Express Company money orders by persons, firms, and corporations whose principal business consists in the operation of retail drug, hardware and grocery stores." This contention means briefly that plaintiffs' agent cannot sell and issue money orders as an adjunct to his drug store business while an agent of American Express, its direct competitor, can do just that.

The admissions in the pleadings establish that American Express Company is an aggregation of individuals operating under a joint company plan. It is not a corporation. It sells and issues money orders in the City of Chicago, Illinois, through operators of drug and grocery stores.

(b) The licensee has violated any provision of this Act or any regulation or direction by the Auditor under this Act; or that

(c) Any fact or condition exists which, if it had existed at the time of the original application for such license, would have warranted the Auditor in refusing the issuance of the license; or that

(d) The licensee has not operated the currency exchange licensed, for a period of sixty consecutive days, unless the licensee was prevented from operating during such period by reason of events or acts beyond the licensee's control.

The Auditor may revoke only the particular license or licenses for particular places of business or locations with respect to which grounds for revocation may occur or exist, or if he shall find that such grounds for revocation are of general application to all places of business or locations, or to more than one place of business or location operated by such licensee, he may revoke all of the licenses issued to such licensee or such number of licenses to which such grounds apply, as the case may be.

A licensee may surrender any license by delivering to the Auditor written notice that he, they or it thereby surrenders such license, but such surrender shall not affect such licensee's civil or criminal liability for acts committed prior to such surrender, or affect the liability on his, their or its bond or bonds, or his, their or its policy or policies of insurance, required by this Act, or entitle such licensee to a return of any part of the annual license fee or fees.

Every license issued hereunder shall remain in force until the same shall expire, or shall have been surrendered or revoked in accordance with this Act, but the Auditor may on his own motion, issue new licenses to a licensee whose license or licenses shall have been revoked if no fact or condition then exists which clearly would have warranted the Auditor in refusing originally the issuance of such license under this Act.

No license shall be revoked until the licensee has had notice of a hearing thereon and an opportunity to be

heard. When any license is so revoked, the Auditor shall within twenty days thereafter, prepare and keep on file in his office, a written order or decision of revocation which shall contain his findings with respect thereto and the reasons supporting the revocation and shall send by United States mail a copy thereof to the licensee at the address set forth in the license within five days after the filing in his office of such order, finding or decision. A review of any such order, finding or decision may be had as provided in Section 22.01 of this Act. As amended by act approved July 13, 1953. L.1953, p. —, H.B.No.251.

*45.1 Receivership—Notice to claimants—Injunction—Dividends—Pending actions.*] § 15.1: If the Auditor determines that any licensee is insolvent or is violating this act, he shall appoint a receiver, who shall, under his direction, for the purpose of the receivership, take possession of and title to the books, records and assets of every description of ~~said~~ community currency exchange. The Auditor shall require of the receiver such security as he deems proper and, upon appointment of the receiver, shall have published, once each week for four consecutive weeks in a newspaper having a general circulation in the community, a notice calling on all persons who have claims against the community currency exchange, to present them to the receiver.

Within ten days after the receiver takes possession of the property, the licensee may apply to the Circuit Court of Sangamon County to enjoin further proceedings in the premises.

The receiver may operate the community currency exchange until the Auditor determines that possession should be restored to the licensee or that the business should be liquidated. If the Auditor determines that the business should be liquidated he shall direct the Attorney General to file a bill in the Circuit Court of the county in which such community currency exchange is located, in the name of the People of the State of Illinois, for the orderly liquidation and dissolution of the community



currency exchange and for an injunction restraining the licensee or the officers and directors thereof from continuing the operation of said community currency exchange.

The receiver shall, thirty days from the day the Auditor determines that the business should be liquidated, file with the Auditor and with the clerk of such court as may have charge of the liquidation, a correct list of all creditors who have not presented their claims. The list shall show the amount of the claim after allowing all just credits, deductions and set-offs as shown by the books of the currency exchange. These claims shall be deemed proven unless objections are filed by some interested party within the time fixed by the Auditor or court that has charge of the liquidation.

The Auditor may make a ratable dividend of the moneys collected by the receiver on all claims that have been proved to his satisfaction or adjudicated in a court of competent jurisdiction whenever moneys are available for distribution.

All unclaimed dividends shall be deposited with the Auditor to be paid out by him when proper claims therefor are presented to the Auditor, and the Auditor shall pay the same out of such sums or funds so deposited with him. After one year from the final dissolution of the currency exchange, the Auditor shall make a pro-rata distribution thereof to those claimants who have accepted dividends until such claim or claims are paid in full, and if any of said monies shall then remain in his hands, the Auditor shall distribute same pro rata to the owner, owners or stockholders of the currency exchange. The Auditor shall deduct, from the funds so deposited with him the expenses of distributing same.

Upon the order of a court of competent jurisdiction of the county wherein the community currency exchange is located, the receiver may sell or compound any bad or doubtful debt, and on like order may sell the personal property of the Community currency exchange on such terms as the court approves. The receiver shall succeed to

engage. As we have seen, American Express Company operates only that part of a general currency business which is limited to the issuing and selling of money orders. It does it, without a license issued under the Act, within the same limits plaintiffs wish to operate without being licensed. The Illinois Supreme Court might find that to deny plaintiffs that right would be to deprive them of the same protection which American Express Company enjoys under the law. It well may be that the Illinois Supreme Court would hold the exemption of American Express Company unconstitutional as applied to persons in the position of these plaintiffs and at the same time adhere to its holding that the exemption is constitutional as applied to persons in the position of the *McDougall* plaintiffs. See: *Roberts & Schaefer Co. v. Emmerson*, 271 U. S. 50, at 54 (affirming 313 Ill. 137). The federal courts, before passing on the question urged by the present plaintiffs, must wait until the Illinois Supreme Court has spoken in answer to that same question.

It is therefore necessary that the amended complaint be dismissed for want of jurisdiction. Counsel for defendants will present an order accordingly within five days.

whatever right or remedies the unsecured creditors of the currency exchange may have against the owner or owners, operators, stockholders, directors, or officers thereof, arising out of their claims against the currency exchange; provided, however, that nothing herein contained shall prevent such creditors from filing their claims in the liquidation proceeding. The receiver may enforce such rights or remedies in any court of competent jurisdiction.

At the close of the receivership, it shall be the duty of the receiver to turn over to the Auditor all books of account and ledgers of such currency exchange for preservation. All records of such receiverships heretofore and hereafter received by the said Auditor shall be held by him for a period of two years after the close of the receivership and at the termination of said two year period may then be destroyed.

All expenses of the receivership, including reasonable receiver's, solicitor's and attorney's fees, approved by the Auditor, shall be paid out of the assets of the community currency exchange; and all expenses of any preliminary or other examinations into the condition of the community currency exchange or receivership, and all expenses incident to the possession and control of any property or records of the community currency exchange incurred by the Auditor shall be paid out of the assets of the community currency exchange. The foregoing expenses shall be paid prior to and ahead of all claims.

Upon the filing of a complaint by the Attorney General for the orderly liquidation and dissolution of a community currency exchange, as herein provided, all pending suits and actions upon unsecured claims against such currency exchange shall abate; provided, however, that nothing contained herein shall prevent such claimants from filing their claims in the liquidation proceeding. In the event a suit or an action is instituted or maintained by the receiver on any bond or policy of insurance issued pursuant to the requirements of this Act, the bonding or insurance company sued, shall not have the right to interpose or maintain any counterclaim based upon subrogation, or upon any express or implied agreement of, or right to, indemnity or exonera-



## DISSENTING OPINION

HEFFMAN, *District Judge*, dissenting.

I am aware of no decision in which the Supreme Court of the United States has held that a federal district court must, or even should, refuse to entertain a suit under the circumstances present here. The jurisdiction of this court is properly invoked. The plaintiffs, supported by the decision of another three judge court in *Currency Services, Inc. v. Matthews*, 90 F. Supp. 40 (W.D. Wis. 1950), have raised a substantial federal constitutional question. The application of the challenged statute to the plaintiffs is unquestioned, and the Supreme Court of Illinois has already upheld the exemption of American Express Company without suggesting that its decision in any way rested on the nature of the activities of the plaintiffs in the decided case, [*McDougall v. Lueder*, 389 Ill. 141 (1945)]. The balance between state-federal relations is not so delicate that it would be upset by this court's consideration of the merits of the plaintiffs' claim that the Illinois Currency Exchange Act has deprived them of the equal protection of the laws.

I would grant the prayer of the plaintiffs' amended complaint.

tion, or upon any other express or implied agreement with, or right against, the currency exchange. Nothing herein contained shall prevent such bonding or insurance company from filing such claim in the liquidation proceeding. As amended by act approved June 26, 1951: L.1951, p. 551.

45.2 *Closing up business — Procedure — Deposit — Notice.* § 15.2. No community currency exchange shall de-

termine its affairs and close up its business unless it shall first deposit with the Auditor an amount of money equal to the whole of its debts, liabilities and lawful demands against it, including the costs and expenses of this proceeding, and shall surrender to the Auditor its community currency exchange license, and shall file with the Auditor a statement of termination signed by the licensee of such community currency exchange, containing a pronouncement of intent to close up its business and liquidate its liabilities, and also containing a sworn list itemizing in full all such debts, liabilities and lawful demands against it. Corporate licensees shall attach to, and make a part of such statement of termination, a copy of a resolution providing for the determination and closing up of the licensee's affairs, certified by the secretary of such licensee and duly adopted at a shareholders' meeting by the holders of at least two-thirds of the outstanding shares entitled to vote at such meeting. Upon the filing with the Auditor of a statement of termination the Auditor shall cause notice thereof to be published once each week for three consecutive weeks in a public newspaper of general circulation published in the city or village where such community currency exchange is located, and if no newspaper shall be there published, then in a public newspaper of general circulation nearest to said city or village; and such publication shall give notice that the debts, liabilities and lawful demands against such community currency exchange will be redeemed by the Auditor on demand in writing made by the owner thereof, at any time within three years from the date of first publication. After the expiration of such three year period, the Auditor shall return to the person or persons designated in the statement of termination to receive such repayment

## **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

This matter coming on to be heard before a three judge court convened pursuant to 28 U.S.C. §§ 2281 and 2284, upon the amended complaint filed by plaintiffs and the answers filed by the defendants, and the court having heard evidence presented in open court and having considered all such evidence heretofore taken, as well as all exhibits offered and received in evidence, and the matter having been argued by counsel, and the court having heard the statements and arguments of counsel and being fully advised in the premises, makes the following findings of fact and conclusions of law:

### **FINDINGS OF FACT**

The court finds:

(1) This is an action in equity brought by plaintiffs pursuant to the provisions of Sections 2281 and 2284 of Title 28 U.S.C. seeking a permanent injunction to enjoin Orville Hodge, Auditor of Public Accounts of the State of Illinois, Latham Castle, Attorney General of the State of Illinois, and John Guiknecht, State's Attorney of Cook County, Illinois, from enforcing against the plaintiffs the provisions of the Illinois Community Currency Exchanges Act, Sections 30 to 56.3 of Chapter 16½ of the Illinois Revised Statutes, 1953, and also praying that said Act be declared unconstitutional and void in its application to plaintiffs on the ground that it denies the plaintiffs the equal protection of the law in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States.

(2) The amount in controversy herein exceeds the sum of \$3,000, exclusive of interest and costs.



and in the report therein specified, any balance of money then remaining in his possession, if any there be, after first deducting therefrom all unpaid costs and expenses incurred in connection with this proceeding. The Auditor shall receive for his services, exclusive of costs and expenses, two per cent of any amount up to \$5,000.00, and one per cent of any amount in excess of \$5,000.00, deposited with him hereunder by any one community currency exchange. Nothing contained herein shall affect or impair the liability of any bonding or insurance company on any bond or insurance policy issued under this Act relating to such community currency exchange. Added by act approved June 26, 1951. L.1951, p. 551.

46. *Annual report — Investigations — Costs:*] . § 16.

Each licensee shall annually, on or before the fifteenth day of November, file a report with the Auditor for the fiscal year period from October 1st through September 30th (which shall be used only for the official purposes of the Auditor) giving such relevant information as the Auditor may reasonably require concerning, and for the purpose of examining, the business and operations during the preceding fiscal year period of each licensed currency exchange conducted by such licensee within the State. Such report shall be made under oath and shall be in the form prescribed by the Auditor and the Auditor may at any time and shall at least once in each year investigate the currency exchange business of any licensee and of every person, partnership, association and corporation who or which shall be engaged in the business of operating a currency exchange. For that purpose, the Auditor shall have free access to the offices and places of business and to such records of all such persons, firms, partnerships, associations and corporations and to the officers and directors thereof that shall relate to such currency exchange business. The Auditor may at any time, and shall at least once a year, inspect the locations served by an ambulatory currency exchange, for the purpose of determining whether such currency exchange is complying with the provisions of this Act at each location served. The Auditor may require by

subpoena the attendance of and examine under oath all persons whose testimony he may require relative to such business, and in such cases the Auditor, or any qualified representative of the Auditor whom the Auditor may designate, may administer oaths to all such persons called as witnesses, and the Auditor, or any such qualified representative of the Auditor, may conduct such examinations, and there shall be paid to the Auditor for each such examination a fee of \$20.00 for each day or part thereof for each qualified representative designated and required to conduct the examination; provided, however, that in the case of an ambulatory currency exchange, such fee shall not be increased by reason of the number of locations served by it. As amended by act approved June 27, 1951, L.1951, p. 562.

47. *Records.* § 17. Every licensee shall keep and use in his business such books, accounts and records as will enable the Auditor to determine whether such licensee is complying with the provisions of this Act and with the rules, regulations and directions made by the Auditor hereunder.

48. *Permanent address.* § 18. The applicant for a community currency exchange license shall have a permanent address as evidenced by a lease of at least six months duration or other suitable evidence of permanency, and the license issued, pursuant to the application shall be valid only at that address or any new address approved by the Auditor. As amended by act approved June 27, 1951, L.1951, p. 562.

49. *Rules and regulations — Record — Copies.* § 19. The Auditor may make and enforce such reasonable, relevant regulations, directions, orders, decisions and findings as may be necessary for the execution and enforcement of this Act and the purposes sought to be attained herein. All such regulations, directions, orders, decisions and findings shall be filed and entered by the Auditor in an indexed permanent book or record, with the effective date thereof suitably indicated, and such book or record shall be a public document. All regulations and

directions, which are of a general character, shall be printed and copies thereof mailed to all licensees within ten (10) days after filing as aforesaid. Copies of all findings, orders and decisions shall be mailed to the parties affected thereby by United States mail within five (5) days of such filing.

19.1 Armed guard.] § 19.1 Whenever an ambulatory currency exchange shall be actively engaged at any place or station on a location licensed under this Act in the cashing of checks other than from within an armored vehicle, such currency exchange shall provide at least one armed guard at each such place or station in addition to the person or persons cashing checks. Added by act approved June 27, 1951. L.1951, p. 562.

19.2 Surety bond.] § 19.2. Before any license or renewal of license shall be issued for any location served by an ambulatory currency exchange, the applicant thereof shall file with and have approved by the Auditor a surety bond for each such location, issued by a bonding or insurance company, licensed to do business in this State, in the penal sum of \$2,000.00. The bond shall be conditioned that the licensee serving the location shall comply with Section 19.1 of this Act and shall pay all lawful claims for money or other property loss, or bodily injury, suffered in the course and by reason of a holdup at such location, that shall occur at the time or times when said licensee failed to comply with said Section 19.1. Such bond shall run to the Auditor and shall inure to the benefit of any person or persons who shall establish a lawful claim or claims as aforesaid. The applicant shall have the right, at his, their, or its option, to file in lieu of the bond or bonds required by this section, a blanket surety bond, which he, they, or it shall have approved by the Auditor, issued by a bonding or insurance company, licensed to do business in this State, covering all the locations served and to be served by such applicant in a penal sum of not to exceed \$100,000.00, conditioned and payable as aforesaid, and specifying that the liability thereunder for each location shall be limited to \$2,000.00. Added by act approved June 27, 1951. L.1951, p. 562.



50. *False swearing.*] § 20. Every person having taken an oath in any proceeding or matter wherein an oath is required by this Act, who shall swear wilfully, corruptly or falsely in a matter material to the issue or point in question, or shall suborn any other person to swear as aforesaid, shall be guilty of perjury or subornation of perjury, as the case may be.

51. *Notice may be mailed.*] § 21. Except as otherwise provided for in this Act, whenever the Auditor is required to give notice to any applicant or licensee, such requirement shall be complied with if, within the time fixed herein, such notice shall be enclosed in an envelope plainly addressed to such applicant or licensee, as the case may be, at the address set forth in the application or license, as the case may be, United States postage fully prepaid, and deposited, registered, in the United States mail.

52. § 22. Repealed by act approved June 9, 1949. L.1949, p. 335.

52.1 *Review under Administrative Review Act.*] § 22.01. All final administrative decisions of the Auditor hereunder shall be subject to judicial review pursuant to the provisions of the "Administrative Review Act", approved May 8, 1951, and all amendments and modifications thereof, and the rules adopted pursuant thereto. The term "administrative decision" is defined as in Section 1 of the "Administrative Review Act." Added by act approved June 9, 1949. L. 1949, p. 335.

52.2 *Appeal to Supreme Court.*] § 22.02. Appeals from all final orders and judgments entered by a court in review of any final administrative decision of the Auditor hereunder may be taken directly to the Supreme Court by either party to the action in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted pursuant thereto. Added by act approved June 9, 1949. L.1949, p. 335.

53. *Fraudulent taking or secreting money or property.]*

§ 23. If any licensee, or agent or employee of a licensee, fraudulently takes and secretes any money, note, bill, bond or other property belonging to another and in the possession and custody of such licensee as agent or otherwise, he shall be guilty of larceny and punished accordingly.

54. *Penalties.]* § 24. Any person, firm, association, partnership or corporation who or which shall violate any provision of this Act for which no other penalty is herein prescribed shall, upon conviction, be fined not less than fifty dollars (\$50.00) nor more than five hundred dollars (\$500.00), and each violation shall constitute a separate offense.

55. *Approval of location.]* § 25. Any community currency exchange in existence upon the date of the passage of this Act shall be approved by the Auditor as to location, if all other requirements set forth in this Act shall have been complied with.

56. *Construction of act.]* § 27. Nothing contained in this Act shall be construed so as to limit the power of municipalities to license and tax community currency exchanges, and to regulate their location and operation in a manner not inconsistent with this Act.

56.1 *Application of certain provisions.]* § 28. Unless an ambulatory currency exchange shall engage in the business of selling or issuing money orders under his, their or its name, or any money orders other than those excepted in Section 1 of this Act, Section 5, 6 and 7 of this Act shall not be applicable to it. Otherwise, said sections shall apply to it, if it shall engage in such business. Added by act approved June 27, 1951: L. 1951, p. 562.

56.2 *Unlicensed currency exchanges—Injunction.]* § 29. The operation of any unlicensed community or ambulatory currency exchange, or the unlawful conduct or operation of any licensed community or ambulatory currency exchange, is hereby declared to constitute unfair

competition with licensed and legally operated currency exchanges doing business in the same community. Any licensee operating legally under this Act in the same community shall have the right to apply to any court of competent jurisdiction for and obtain an injunction restraining such unfair competition. Added by act approved June 27, 1951, L. 1951, p. 562.

*30.3 Partial invalidity.* § 30. If any part or provision of this Act shall be declared unconstitutional, the unconstitutionality of such part or provision shall not invalidate the constitutional provisions of this Act. Added by act approved June 27, 1951, L. 1951, p. 562.



## THE OPINIONS BELOW.

Opinion of the United States District Court, Northern District of Illinois, Eastern Division, Civil Action No. 53 C 2322, *George W. Doud, et al. v. Orrille Hodge, Auditor of Public Accounts, etc., et al.*

February 4th, 1955

Before Elmer J. Schmackenberg, *Judge* of the United States Court of Appeals for the Seventh Circuit, and Julius J. Hoffman and Walter J. LaBuy, *District Judges*.

Schmackenberg, *Circuit Judge*. Plaintiffs, George W. Doud, Donald Q. McDonald and J. Wesley Carlson, as a partnership; and plaintiff, Eugene Derrick, agent of said partnership, by their amended complaint seek an injunction restraining the defendants, who are the Auditor of Public Accounts and the Attorney General of the State of Illinois, and the State's Attorney of Cook County, Illinois, from enforcing against said plaintiffs the provisions of the Illinois Community Currency Exchange Act, upon the ground that said act is unconstitutional in that, according to plaintiffs, it denies them the equal protection of the law in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States.

Defendants filed answers and evidence was adduced by the respective parties.

An *amicus curiae* makes the contention (which has been adopted by the defendants) that the court has no jurisdiction to decide the question of constitutionality

<sup>1</sup> Secs. 30 to 56.3 inclusive, Chap. 16½, Ill. Rev. Stat. 1953.

It does not operate under any franchise granted by the State of Illinois and is not subject to regulation by any regulatory body thereof.

It thus appears that plaintiffs intend to engage in only one phase of the activities in which a community currency exchange may engage if licensed under the Act in question; that is, the business of selling or issuing money orders under their name. It also appears that American Express Company, which is exempt from the operation of the Act, is engaging in the same activity. It further appears that plaintiffs intend to; and American Express Company does, engage in this business through agents operating retail stores of the same types.

Plaintiffs argue that "it is the function and duty of this court to determine whether or not the Act in question violates the Fourteenth Amendment as applied to these plaintiffs."

On the other hand the *amici curiae* and the defendants argue that it is not the function and duty of this court to determine that question unless and until plaintiffs secure an answer to that question from the Illinois Supreme Court.

It would seem that a plausible argument could be made, on behalf of plaintiffs, to the Illinois Supreme Court, predicated upon the fact that in view of the identical similarity of the business conducted by American Express Company, which is exempt from regulation under the Act, and that in which plaintiffs intend to engage and which on its face the Act says must be regulated by the State, is an arbitrary discrimination. If this argument were made to and accepted as valid by the Illinois Supreme Court, it might well grant to plaintiffs the very relief

which they are seeking in this court and hence a suit of this character would be unnecessary. A three judge court, in a case involving a similar situation arising under the currency exchange act of the State of Wisconsin, held that the exemption of American Express Company rendered the statute discriminatory and unconstitutional as applied to the plaintiff in that case, *Currency Services v. Matthews*, 90 F. Supp. 40, at 43, 45. However, there no question was raised as to the federal court's jurisdiction, such as the question which now confronts us.

Whether in plaintiffs' situation the Illinois Supreme Court would hold the exemption of American Express Company from the application of the Act constitutional or unconstitutional we do not know. Not having that prescience and being unwilling to guess as to how the Illinois court would decide this question when and if it were presented to it, we have no jurisdiction to make that decision ourselves. Hence we cannot decide the constitutional question presented in the absence of such authoritative determination by the Illinois Supreme Court.

Plaintiffs seem to argue that in *McDougall v. Lueder*, 389 Ill. 141, the Illinois Supreme Court has already, in effect, decided that the Illinois Act, as to plaintiffs, does not violate the equal protection of the law provision of the federal constitution, and, accordingly, this court should grant appropriate relief, and that no further state court decision is necessary. In so urging, plaintiffs overlook the plain distinction between the business of the plaintiffs in the *McDougall* case and the business in which they (plaintiffs herein) intend to engage. That distinction plaintiffs themselves have made and emphasized. The *McDougall* plaintiffs were engaged in the general broad activities of a currency exchange, as distinguished from the limited activities in which plaintiffs herein intend to



(3) The plaintiffs George W. Doud, Donald Q. McDonald and J. Wesley Carlson constitute a partnership which is organized for the purpose of, intends to engage, and has been engaging, not in the ordinary business of a currency exchange, but exclusively in the business of selling and issuing money orders under the firm name "Bondified Systems", in the Counties of DuPage and Cook and other portions of the State of Illinois. That business is to be conducted through agents who are principally persons engaged in operating retail drug, hardware and grocery stores.

(4) On August 11, 1953, said plaintiffs appointed the plaintiff Derrick (who conducts a drug store) as their agent for the sale to the public of post card checks and money orders issued by the partnership firm.

(5) American Express Company is an aggregation of individuals operating under a joint stock company plan. It is not a corporation. It sells and issues money orders in the City of Chicago, Illinois, through operators of drug and grocery stores. It does not operate under any franchise granted by the State of Illinois and is not subject to regulation by any regulatory body thereof.

(6) It thus appears that plaintiffs intend to engage in only one phase of the activities in which a currency exchange may engage if licensed under the Act in question; that is the business of selling or issuing money orders under their name. It also appears that American Express Company, which is exempt from the operation of the Act, is engaging in the same activity.

(7) It further appears that plaintiffs intend to, and American Express Company does, engage in this business through agents operating retail stores of the same types.

(8) American Express Company operates only that part of a general currency exchange business which is limited to the issuing and selling of money orders. It does it without a license issued under the Act within the same limits in which plaintiffs wish to operate without being licensed.

### CONCLUSIONS OF LAW.

1. Plaintiffs' application for a permanent injunction should be denied and the amended complaint should be dismissed for want of jurisdiction at plaintiffs' costs.

2. This court cannot decide the constitutional question presented in the absence of an authoritative determination by the Illinois Supreme Court that the exemption of American Express Company is constitutional as applied to persons in the position of these plaintiffs.

Enter:

ELMER J. SCHNACKENBERG,

*Judge of the United States Court  
Appeals.*

WALTER J. LA BUY,

*Judge of the United States  
District Court.*

JULIUS J. HOFFMAN,

*Judge of the United States  
District Court.*

Dated: February 9th, 1955.

## ORDER OF DISMISSAL FOR WANT OF JURISDICTION

This action has been heard by this court, Elmer J. Schnackenberg, *Circuit Judge* Presiding, and Walter J. LaBuy and Julius J. Hoffman, *District Judges*, sitting. The Court has heard and considered the evidence and arguments of counsel and has read and considered the briefs. It is fully advised in the premises.

Thereupon It Is Ordered in accordance with the views expressed in this Court's opinion, Schnackenberg, J. and LaBuy, J. concurring and Hoffman, J. dissenting, that the plaintiffs' action be and it is dismissed for want of this Court's jurisdiction.

Enter:

ELMER J. SCHNACKENBERG,

*Judge.*

WALTER J. LABUY,

*Judge.*

Dated: February 9, 1955.



# Supreme Court of the United States

October Term 1954

No. 129

GEORGE W. DOLD, DONALD Q. McDONALD, and J. WESLEY CARLSON, doing business as BONDED SYSTEMS, and EUGENE DERRICK,

*Appellants.*

ORVILLE HODGE, Auditor of Public Accounts of the State of Illinois, LATHAM CASLER, Attorney General of the State of Illinois, and JOHN G. FINECHET, State's Attorney of Cook County, Illinois,

*Appellees.*

APPEAL FROM UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS,  
EASTERN DIVISION.

## BRIEF OPPOSING MOTION TO AFFIRM.

JOHN J. YOWELL  
111 W. Washington Street,  
Chicago 2, Illinois,  
*Counsel for Appellants.*

Dated, July 14, 1955.

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IN THE  
SUPREME COURT OF THE UNITED STATES

October Term, 1954.

**No. 129**

GEORGE W. DOWD, et al.,

*Appellants,*

ORVILLE HODGE, Auditor of Public Accounts of the  
State of Illinois, et al.,

*Appellees.*

APPEAL FROM UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS,  
EASTERN DIVISION.

**BRIEF OPPOSING MOTION TO AFFIRM.**

**STATEMENT**

This suit is based upon the premise that the Fourteenth Amendment and the act of Congress passed pursuant thereto require that the federal courts be as zealous to protect the property rights of citizens, including the right to engage in a lawful business enterprise, as to protect their other civil rights.

The plaintiff Derrick, a druggist of Wheaton, Illinois, who formerly sold American Express money orders (Rec. 446), informed the defendant Hodge, the State Auditor, in writing, that under an agency agreement with the plaintiffs,

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Doud, McDonald and Carlson, a partnership doing business as Bondified Systems, he proposed to sell Bondified money orders in his drug store, the statute prohibiting such sales being, in his opinion, unconstitutional (plaintiffs' exhibit 23, Rec. 350). The answers expressly admit that the defendants threatened to enforce against the plaintiffs any violations of the Illinois Community Currency Exchanges Act and do not deny that any attempt by the plaintiffs to operate the business of selling and issuing money orders in drug, hardware and grocery stores will bring down upon the plaintiffs court action and criminal prosecution (Answers, par. VII, Rec. 40), and by reason of the statute and its threatened application to plaintiffs they have been unable to carry on the business of selling money orders in retail establishments in Illinois, and the partnership has appointed no other Illinois agents (Rec. 110).

Each day that the plaintiffs are prevented by the challenged statute and the defendants' threats to apply it to plaintiffs and to enforce it against them, they are being deprived of the right to conduct a lawful business and of the legitimate profits therefrom. Such losses cannot be recouped and they are irreparable. They are imminent and continuing. They are great and continually growing greater.

In the motion to affirm the judgment of dismissal for want of jurisdiction an abortive effort is made to show that the complaint should have been dismissed on the merits for want of equity, by misrepresenting the record.

\* Instead of having a capital of only \$38.00, the record actually shows that the plaintiff partnership has substantial operating capital—in a partnership operating account in a Chicago bank, \$9,000.00 on the day suit was filed, \$10,000.00 the following week (plaintiffs' exhibit 20, Rec. 349) and more than \$4,000.00 at the time of the trial, twelve months later (Rec. 99); that from October 6, 1953 through October, 1954 the partnership maintained an average daily balance

The statute includes in the definition of a community currency exchange every person, firm, association, partnership or corporation engaged in the business of selling or issuing money orders (other than those excepted) (2a, 3a, Statement as to Jurisdiction); and prohibits the sale of money orders (other than those excepted) in any room with any other business, trade or profession, and in any room from which there is direct access to a room occupied by any other business, trade or profession (p. 10a, Statement as to Jurisdiction). There was no issue in the case, nor contention, that plaintiffs were not persons within the meaning of the Act, nor that the Act does not apply to the plaintiffs, but it was the position of the defendants that the Act does pro-

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\* (Continued)

of more than \$16,000.00 in a special account for the payment of money orders (Rec. 109), and that the balance in this account at the time of the trial was approximately \$23,000.00 (Rec. 98); the adequacy of the partnership capital is demonstrated by the fact that in its first year of operation in a few counties in northern Indiana the partnership sold (and, of course, honored) more than \$1,400,000.00 in money orders (Rec. 81, 103 104). The executive vice president of American Express Company testified that the Bondified system operates the same as the American Express method of selling money orders and in competition with it in various states (Rec. 469, 470) other than Illinois (where the statute gives American Express a monopoly in sales from retail stores); the record shows that in 1953 sales of Bondified money orders in the Detroit area exceeded \$40,000,000.00 (Rec. 125). The maximum amount for which any one money order is issued either by plaintiffs or American Express is \$100.00. The record further shows that at the time the challenged statute was enacted American Express Company's license to transact business in the State of Illinois had been forfeited for failure to file reports (Rec. 144). Thereafter, in 1945, American Express Company was incorporated in Illinois with an authorized capital of \$1,000,000.00, its charter purposes being limited to the transmission of packages and parcels (Rec. 477). Sales of American Express Company money orders in Illinois are by an association of some 23,000 non-resident individuals, doing business as American Express Company (Rec. 495, 503).



hibit the plaintiffs from conducting their business in Illinois and that the defendants would proceed to apply the sanctions of the Act to the plaintiffs.

As stated in the dissenting opinion, "the application of the challenged statute to the plaintiffs is unquestioned and the Supreme Court of Illinois has already upheld the exemption of the American Express Company without suggesting that its decision in any way rested on the nature of the activities of the plaintiffs in the decided case. [*McDougall v. Lueder*, 389 Ill. 141 (1945)]."

## ARGUMENT

### I.

That prosecuting officers of the state have threatened, and, if not enjoined, will prosecute the plaintiffs unless they comply with an unconstitutional state law relating to their business, and withdrawal from further business until a test case is taken through the state courts and perhaps to this Court would result in a substantial loss of business for which no compensation could be obtained, shows the imminence of irreparable injury justifying the exercise of federal equity jurisdiction. *Toomer v. Witsell*, 334 U. S. 385; *Cline v. Frink Dairy Co.*, 274 U. S. 345; *Terrace v. Thompson*, 263 U. S. 197; *Packard v. Banton*, 264 U. S. 140; *Hograde Provision Co. v. Sherman, et al.*, 266 U. S. 497; *Gibbs v. Buck*, 207 U. S. 66.

In *Toomer v. Witsell*, 334 U. S. 385, it was contended that injunctive relief was inappropriate since appellants failed to show the imminence of irreparable injury and did not come into court with clean hands. This Court said that defiance of the law would have carried with it the risk of heavy fines and imprisonment and that "withdrawal from further fishing until a test case had been taken through the South Carolina courts, and perhaps to this Court, would have resulted in a substantial loss of business for which no compensation could be obtained. Except as to the income tax statute, we conclude that appellants sufficiently showed the imminence of irreparable injury for which there was no plain, adequate and complete remedy at law."

In *Packard v. Banton*, 264 U. S. 140, the complaint averred that the defendants, prosecuting officers of the state, had

threatened, and if not enjoined, would proceed to prosecute the plaintiff unless he complied with a law alleged to be in contravention of the equal protection of the law clause of the Fourteenth Amendment. This Court, quoting from an earlier decision, said:

"A distinction obtains, and equitable jurisdiction exists to restrain criminal prosecutions under unconstitutional enactments, when a prevention of such prosecutions is essential to the safeguarding of rights of property."

In *Gibbs v. Buck*, 307 U. S. 66, this court said, at page 77:

"The damage before final judgment from the enforcement of the Act as shown by the affidavits would be irreparable. The allegations in the bill of threats of enforcement and the declaration in the affidavit of the attorney general of the state, the officer charged with supervision of enforcement, of readiness and willingness 'to prosecute any violations of said Act' sufficiently establish the immediate danger from enforcement."

The other cases above cited and many other decisions of this Court establish this exception to the general rule.

## II.

The right to conduct a lawful business is a property right. All persons similarly circumstanced must be treated alike, and immunity granted to a class, however limited, having the effect to deprive another class of a personal or property right is a denial of equal protection of the laws to the latter class. *Truax v. Corrigan*, 257 U. S. 312; *Hays v. Missouri*, 120 U. S. 68; *Connolly v. Union Sewer Pipe Co.*, 184 U. S. 540; *Rouster Grain Co. v. Virginia*, 253 U. S. 412; *Southern Railway Co. v. Greene*, 246 U. S. 400; *Stewart Dry Goods Co. v. Lewis*, 294 U. S. 550.

The District Court found that the plaintiff partnership is organized for the purpose of, intends to engage, and has



been engaging, exclusively in the business of selling and issuing money orders; that business is to be conducted through agents, principally persons engaged in operating retail drug, hardware and grocery stores; that American Express Company, which is exempt from the operations of the Act, is engaging in the same activity without a license issued under the Act, within the same limits in which plaintiffs wish to operate without being licensed; that American Express Company is an aggregation of individuals and not a corporation; that it sells and issues money orders in Illinois through operators of drug and grocery stores, does not operate under any franchise from the State of Illinois and is not subject to regulation by any regulatory body thereof. In its opinion the court stated that plaintiffs' contention means that plaintiffs' agent cannot sell and issue money orders as an adjunct to his drug store business, while an agent of American Express, its direct competitor, can do just that.

### III.

"Where one party's case depends upon a construction of a state statute under which it plainly must be held to violate the federal constitution, and where the proper construction of the statute is a matter of grave doubt, this court will rest its decision on the Constitution.

*Thompson v. Consolidated Gas Utilities Corp.*, 300 U. S. 55; *Sterling v. Constantin, et al.*, 287 U. S. 378; *Fidelity & Deposit Co. of Maryland, v. Tafome*, 270 U. S. 426; *Michigan Public Utilities Commission v. Duke*, 266 U. S. 570.

Appellants reiterate that every material allegation of the amended complaint was either admitted or found as a fact by the court. It is significant that the motion to affirm, while denying this statement, fails to point out a single material allegation of the amended complaint that was neither admitted nor found as a fact by the court. It will also be noted

that the motion to affirm wholly fails to mention any of the decisions cited in the first paragraph of page 8 of the Statement as to Jurisdiction which, it is submitted, clearly indicate that the court erred (a) in denying the application for a permanent injunction, and (b) in holding that the federal courts have no jurisdiction of the cause.

Answering in order the seven numbered grounds for affirmance urged by appellees:

(1) In a decision binding upon all of the courts of the State of Illinois the Supreme Court of that State has held that exemption of American Express Company from the provisions of the Act does not render it unconstitutional (*McDougall v. Lueder*, 389 Ill. 141, 151). The plaintiffs do not have a clear and adequate remedy in the state courts to prevent the great, imminent and irreparable losses that are daily accruing to the plaintiffs. Federal courts will defer action when there is an ambiguity or lack of clarity in a state statute, or doubt as to its proper interpretation or construction when such interpretation or construction might eliminate the federal question. Neither *Burford v. Sun Oil Co.*, 319 U. S. 315, nor *Alabama Commission v. Southern Railway Co.*, 341 U. S. 341, held that the federal court did not have jurisdiction, and in the latter case the court said that the exercise of its jurisdiction did not involve construction of a statute so ill defined that a federal court should hold the case pending definitive construction of that statute in the state courts.

(2) The record in this case shows that the danger of irreparable loss is both great and imminent. Of course, in either civil or criminal proceedings against them in the state courts appellants could assert the alleged unconstitutionality of the statute in the face of the decision by the Supreme Court of Illinois that it is constitutional,

but this would not give appellants the relief they seek, nor protect them against the continuing losses to which they are subject, nor constitute any special circumstances requiring the federal courts to stay action pending such proceedings. In *Douglas v. Jeannette*, 319 U. S. 157 the court did not hold that the District Court had no jurisdiction. In *Watson, et al. v. Buck, et al.*, 313 U. S. 387, there were no threats to enforce the law and no danger of irreparable loss.

(3) There is no issue, nor any question, that the prohibition of the challenged statute extends to all persons, firms and corporations, including plaintiffs, and there is no ambiguity or lack of clarity in this respect. The Supreme Court of Illinois has held the Act and the exemption valid, and further held that "the General Assembly would surely never have passed the Act if they had thought the said companies would be made subject to its rules and regulations". The Supreme Court of Illinois thus found that the exemption provisions were not severable, which also distinguishes the case from *Watson, et al. v. Buck, et al.*, 313 U. S. 387; *Douglas v. Jeannette*, 319 U. S. 157; *Spector Motor Co. v. McLaughlin*, 323 U. S. 191; *Federation of Labor v. McAdory*, 325 U. S. 450, and *C. T. O. v. McAdory*, 325 U. S. 472. In the latter case this Court did not have jurisdiction to review the State Supreme Court decision in the case because the question as to constitutionality had not been properly presented to the state court. That does not mean that the jurisdiction of a federal district court is dependent upon a previous presentation of the constitutional question to the state court.

(4) *Public Service Commission v. Wycoff*, 344 U. S. 237, involved a declaratory judgment proceeding before



a single district court judge, in which the plaintiff abandoned any attempt to obtain an injunction because it wished to avoid the requirement of three judges and the necessity of proof of threatened prosecution. In *Stainback v. Mo-Hock, etc.*, 336 U. S. 368 the plaintiffs were not seeking to prevent continuing losses from being unable to carry on a lawful business, but without showing any danger of loss attacked a Hawaii statute which carried no criminal penalties for infractions, which was not clear as to its application to certain schools and teachers and which had not been construed by the Hawaiian courts.

(5) The Supreme Court of Illinois has already held that the challenged Act would not have been passed without the exemption and it must follow that the exemption is not severable.

*Liggett v. Lee*, 328 U. S. 517, was an appeal from the Supreme Court of Florida which had affirmed a judgment dismissing a suit to enjoin the enforcement of a Florida statute relating to chain stores. This Court reversed and remanded the cause for further proceedings since it did not appear whether the Florida court had held valid the section attacked or whether it held it invalid but that the section was severable. If the later, of course no Fourteenth Amendment question was involved.

In *Dorchy v. Kansas*, 264 U. S. 286, a writ of error was sought to the Supreme Court of Kansas. This court held that the decision of the state court as to the severability of a provision is conclusive upon the Supreme Court; that while a decision of the state court as to severability of a provision is conclusive upon the Supreme Court, if there is no controlling state court decision in cases coming from the lower federal courts, such questions of severability must be determined by the Supreme Court.

American Express Company in Illinois; that the American Express Company does not operate under any franchise granted by the State of Illinois and is not subject to regulation by any regulatory body in the State of Illinois (Rec. 16, 17); that it is discriminatory to require the plaintiffs and their agents to pay substantial annual license fees for licences, to submit and pay for periodic investigations and to prohibit their agents from selling or issuing money orders in conjunction with the maintenance of any other business when at the same time American Express Company, in an operation not different from those contemplated by plaintiffs, is exempt from all such annual fees and from the necessity of complying with the other regulations embodied in the statute and its agents are permitted to engage in such other vocations as they see fit (Rec. 17).

It was further alleged (Rec. 18) and admitted in the answer (Rec. 29) that the defendants have threatened that any attempt by the plaintiffs to operate the business of selling and issuing money orders under their firm name, or through offices wholly owned and operated by them or by means of drug, hardware and grocery stores as agents of the plaintiffs, or by both such means, will bring down upon plaintiffs actions by said defendants in the courts of the State to prevent such continuance of such business and for the enforcement of the provisions of the Act by criminal prosecution; that to comply with the provisions of the statute in order to sell plaintiffs' money orders plaintiffs' agents will be required to qualify as currency exchanges; that it will be necessary for the plaintiffs to pay to the Auditor of Public Accounts the inspection and license fees required by the Act with respect to each agent and place of business. (Rec. 19).

and the court referred to *Myers v. Anderson*, 235 U. S. 368, 384, and *Louisville & Nashville R.R. v. Garrett*, 231 U. S. 298, 311; that in cases coming from the state courts this Court may decide also the question of severability, but is not obliged to do so. In the *Dorchy* case the state court not having passed upon the question of severability, and it having come from that court, its judgment affirming a conviction under the challenged statute was reversed and ordered vacated in order that the state court might pass upon the question of severability.

(6) There is no basis in this record for any contention that appellants came into equity with unclean hands; nor for the application of *Ford v. Caspers*, 124 Fed. 2d 884, in which the court found that the parties were *in pari delicto*.

(7) In *Railroad Commission v. Pullman Co.*, 312 U. S. 496, this court said that the meaning of the statute was far from clear and what practices were subject to the Commission's correction equally doubtful.

None of the cases cited in the motion to affirm involved the immediate, imminent and irreparable losses incident to the cessation of a lawful business enterprise. In this case the court found as a fact that the amount in controversy, that is the value of the plaintiffs' right to carry on their business without the interference of the defendants, exceeds the sum of \$3,000.00.



## CONCLUSION.

One of the district judges dissenting, stated that he was aware of no decision in which this Court has held that a federal district court must, or even should, refuse to entertain a suit under the circumstances present here. The majority opinion cites no such decision; none is cited in the motion to affirm, and we have found no such case. If one could be found it would be contrary to the teachings of this Court's decisions.

As stated by Judge Lindley in *Currency Services, Inc. v. Matthews*, 99 Fed. Suppl. 40.

It is the inclusion, in the definition of the term 'community currency exchange' of one who, though not engaged in the check-cashing business, ordinarily designated by that term, is 'engaged in the business of selling or issuing money orders', coupled with the exemption of a company engaged in that very business, which, it seems to us, renders the statute discriminatory and unconstitutional as applied to the plaintiff corporation, or to any other person or firm engaged in the business of selling or issuing money orders but not in the ordinary business of a currency exchange.

It is submitted that this appeal presents substantial federal questions; that it is meritorious in that the decree and opinion are based upon a misconception of the decisions of this Court; that the motion should be denied and that the case should have plenary consideration.

Respectfully submitted,

JOHN J. YOWELL,

111 W. Washington Street,

Chicago 2, Illinois,

Attorney for Appellants.



## II.

The denial to plaintiffs and all others except persons doing business under a particular name of the right to conduct a lawful business is a denial of the equal protection of the laws.

The right to conduct a lawful business is a property right. All persons similarly circumstanced must be treated alike and immunity granted to a class, however limited, having the effect to deprive another class of a personal or property right is a denial of the equal protection of the laws to the latter class, *Truax v. Corrigan*, 257 U.S. 312; *Connolly v. Union Sewer Pipe Co.*, 184 U.S. 540, 559; *Royster Guano Co. v. Virginia*, 253 U.S. 412; *Southern Railway Co. v. Greene*, 216 U.S. 400; *Stewart Dry Goods Co. v. Lewis*, 294 U.S. 530.

## III.

The exercise of federal equity jurisdiction is justified.

An injunction against the enforcement of an unconstitutional state statute, when it is essential to the protection of property rights, is a proper exercise of federal equity jurisdiction: *Thompson v. Consolidated Gas Utilities Corp.*, 300 U.S. 55; *Sterling v. Constantin, et al.*, 287 U.S. 378; *Michigan Public Utilities Commission v. Duke*, 266 U.S. 570, 578.

The fact that prosecuting officers of the state have threatened to enforce against the plaintiffs an unconstitutional state law relating to their business, and if not enjoined will prosecute the plaintiffs unless they comply with such law, shows the imminence of irreparable injury justifying the exercise of federal equity jurisdiction since withdrawal from further business until a test case is



IN THE

# Supreme Court of the United States

OCTOBER TERM, 1955.

No. 129

GEORGE W. DOUD, DONALD G. McDONALD, and J.  
WESLEY CARLSON, Doing Business as BONDIFIED  
SYSTEMS, and EUGENE DERRICK,

*Appellants.*

vs.

ORVILLE HODGE, Auditor of Public Accounts of the  
State of Illinois, et al.,

*Appellees.*

Appeal from the United States District Court  
for the Northern District of Illinois.

## BRIEF FOR APPELLANTS.

JOHN J. YOWELL

Counsel for Appellants

111 W. Washington Street,  
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taken through the state courts, and perhaps to this Court, would result in a substantial loss of business for which no compensation could be obtained. *Toomer v. Witsell*, 334 U.S. 385, 392; *Cline v. Frink Dairy Co.*, 274 U.S. 445, 452; *Hy-Grade Provision Co. v. Sherman, et al.*, 266 U.S. 497, 500; *Kennington v. Palmer*, 255 U.S. 400; *Gibbs v. Buck*, 307 U.S. 66, 77, 78.

### CONCLUSION:

The inclusion in the definition of the term "community currency exchange" of one who, though not engaged in the check cashing business ordinarily designated by that term, is "engaged in the business of selling or issuing money orders", coupled with the exemption by name of a concern engaged in that very business, renders the statute discriminatory and unconstitutional as applied to the plaintiffs, or to any other person or firm engaged in the business of selling or issuing money orders but not in the ordinary business of a currency exchange.

For the reasons stated it is respectfully submitted that the decree and opinion are based upon a misconception of the decisions of this Court and that the judgment of the court below should be reversed.

JOHN J. YOWELL,

Counsel for Plaintiffs.





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**OPINIONS BELOW**

The opinion of the District Court and the dissenting  
opinion are reported in 127 Federal Supplement 853 and  
856 respectively.

**JURISDICTION**

The judgment was entered February 9, 1955 and notice  
of appeal was filed on April 8, 1955 in the United States  
District Court for the Northern District of Illinois, East



ern Division. Statement as to jurisdiction was filed in this Court June 6, 1955. Probable jurisdiction was noted October 10, 1955. Jurisdiction of this Court rests on 28 U.S.C. 1253, 62 Stat. 926.

### THE STATUTE INVOLVED.

The Illinois statute involved is entitled "An Act in relation to the definition, licensing and regulation of community currency exchanges and ambulatory currency exchanges, and the operators and employees thereof, and to make an appropriation therefor and to provide penalties and remedies for the violation thereof", approved June 30, 1943, Illinois Laws of 1943, volume 1, page 223, as amended by Act approved June 27, 1951, Laws 1951, page 562; being chapter 161 1/2 Revised Statutes of Illinois 1953. The text of the pertinent provisions of the statute is set forth in the appendix.

### QUESTIONS PRESENTED.

(1) Whether the jurisdiction of the Federal Court is dependent upon a prior determination by the state Supreme Court that the statute is constitutional *as to plaintiffs* when (a) that court has held the Act and the exemption therein constitutional generally, (b) the statute is clear and unambiguous, and (c) its application to plaintiffs is unquestioned.

(2) Whether the Illinois Community Currency Exchanges Act denies to plaintiffs the equal protection of the laws in violation of Section 1 of the Fourteenth Amendment to the Constitution of the United States in view of the identical character of the business conducted by American Express Company in Illinois and that in which plaintiffs are engaged and intend to engage in Illinois in that

(a) The said statute imposes license fees and conditions upon the sale of Bondified Systems money orders in separate business establishments, and exempts such sales of American Express Company money orders from all such requirements;

(b) Said statute absolutely prohibits the plaintiffs from engaging in a lawful business, namely, the sale of money orders in retail stores, while permitting American Express Company to engage in the same activity;

(c) Said statute permits operators of retail stores, including the plaintiff Derrick, to sell American Express Company money orders but prohibits them from selling Bondified System money orders.

### **STATEMENT.**

This action challenges the Illinois Community Currency Exchanges Act as a violation of the equal protection clause of the Fourteenth Amendment. The plaintiffs sought injunctive relief pursuant to Sections 2281 and 2284 of Title 28 U.S.C. After the case was tried by the three judge District Court on the issues joined by the amended complaint and the answer thereto the action was dismissed on the ground that the court lacked jurisdiction.

It was alleged in the amended complaint that the amount in controversy exceeds the jurisdictional amount (Rec. 6); that the plaintiffs Doud, McDonald and Carlson constitute a partnership doing business under the firm name of "Bondified Systems" (Rec. 6), and that the plaintiff Derrick is a licensed pharmacist who owns and operates a drug store in Wheaton, Illinois (Rec. 21); that the defendant Hodge is the Auditor of Public Accounts and that

the defendant Castle is the Attorney General of the State of Illinois; that the defendant Gutknecht is State's Attorney of Cook County, residing in the Northern District of Illinois (Rec. 6, 7); that the partnership is organized for the purpose of engaging, intends to engage and has been engaging not in the ordinary business of a currency exchange, but exclusively in the business of selling and issuing money orders under the firm name of "Bondified Systems" in the State of Illinois (Rec. 7); that an Act in relation to the definition, regulation and licensing of community currency exchanges as amended in 1951 is in full force and effect in the State of Illinois as Sections 30 to 56.3 of Chapter 161 $\frac{1}{2}$  of the Illinois Revised Statutes 1953 which purports to regulate the business of a community currency exchange,—defined to be a person, firm or corporation (a) engaged in the business of providing facilities for cashing checks, drafts and money orders for a fee or service charge or other consideration, or (b) engaged in the business of selling or issuing money orders under his, their or its name, or any other money orders, or (c) engaged in both such businesses, subject to certain exemptions. (Rec. 13, 14).

It was alleged that the statute contains two classes of exemptions: (1) state and national banks, which are specifically exempted from the definition of a currency exchange, and (2) all persons, firms and corporations engaged in the business of selling or issuing United States Post Office money orders, American Express Company money orders, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders; which are also specifically exempted from the definition of a community currency exchange (Rec. 14).

It was alleged that the Act provides that no person, firm or corporation which is not exempted from the definition of a community currency exchange shall engage



in the business of selling or issuing money orders without first securing a license to do so from the Auditor of Public Accounts from the State of Illinois; application for which must be made in the form prescribed and accompanied by a fee for the cost of investigating the applicant; that in the event the application is denied the fee is retained by the auditor, and if approved a license fee of \$50.00 is to be paid and a like fee is to be paid annually thereafter (Rec. 14); that a surety bond is required, the maximum amount of which is \$25,000.00 (Rec. 14, 15); that each license must file annual reports under oath and that the auditor may at any time, and shall at least once each year investigate the business of each licensee, and each licensee must pay to the auditor for such investigation a fee of \$20.00 for each day or part thereof for each representative designated by the auditor and required to conduct such examination (Rec. 15).

It was further alleged that the statute provides that a community currency exchange shall not be conducted as a department of another business; that it must be an entity financed and conducted as a separate business unit and that no community currency exchange licensed for the first time shall share any room with any other business, trade or profession, nor shall it occupy any room from which there is direct access to a room occupied by any other business, trade or profession (Rec. 15).

It was alleged that the American Express Company operates its money order business in substantially the same manner in which the plaintiffs operate; that the American Express Company is an aggregation of individuals operating under a joint stock company plan and that it is not a corporation (Rec. 16); that no statutes of the State of Illinois provide for any regulation by any Illinois board, commission or regulatory body, of the operations of the

It was further alleged that the plaintiff Derrick has become an agent of the plaintiffs Doud, McDonald and Carlson, doing business as "Bondified Systems", for the sale and issuance of money orders of Bondified Systems and has conducted and desires to conduct the business of selling money orders in connection with his drug store in Wheaton, Illinois (Rec. 22); that immediately upon obtaining his agency license he sent to the defendant Auditor a letter by registered mail, duly receipted for, advising that he had received such agency from Bondified Systems, a partnership, who had advised him that they had the right to grant him this agency under a license from Bondified Systems, Inc.; that he had been told that the Community Currency Exchange Act of Illinois does not authorize his sale of such money orders but that he believes and contends that the law violates his constitutional right to operate a perfectly legal business of selling such money orders if he chose to do so and that he was taking this means of advising the Auditor of his intention to commence sales as soon as he received his supplies (Rec. 22).

The answer alleged detailed figures showing the size of American Express Company (Rec. 28) and the volume of business of currency exchanges in Illinois (Rec. 26, 27); and further alleged that the plaintiffs came into equity with unclean hands because the words "licensed" and "bonded" on its money orders was "calculated to deceive and defraud the people of the State of Illinois into the belief that Bondified Systems, Inc. was licensed and bonded in accordance with the provisions of said Illinois Currency Exchanges Statute" (Rec. 33).

The Court made no findings with respect to any affirmative allegations of the answer, but found that the amount in controversy exceeds the sum of \$3,000.00, exclusive of

interest and costs (Rec. 509); that the plaintiffs Douil, McDonald and Carlson constitute a partnership which was organized for the purpose of, intends to engage, and has been engaging not in the ordinary business of a currency exchange, but exclusively in the business of selling and issuing money orders under the firm name "Bondified Systems" in Illinois; that the business is to be conducted through agents who are principally engaged in operating retail drug, hardware and grocery stores; that on April 11, 1953 said plaintiffs appointed the plaintiff Derrick (who conducts a drug store) as their agent for the sale to the public of post card checks and money orders issued by the partnership firm; that the American Express Company is an aggregation of individuals operating under a joint stock company plan and is not a corporation; that it sells and issues money orders in the City of Chicago, Illinois through operators of drug and grocery stores; that it does not operate under any franchise granted by the State of Illinois and is not subject to regulation by any regulatory body thereof (Rec. 509):

The Court further found, that "it thus appears that plaintiffs intend to engage in only one phase of the activities in which a currency exchange may engage if licensed under the Act in question, that is the business of selling or issuing money orders under their name. It also appears that American Express Company which is exempt from the operation of the Act is engaging in the same activity" (Rec. 509); that "it further appears that plaintiffs intend to, and American Express Company does, engage in this business through agents operating retail stores of the same types"; and that "American Express Company operates only that part of a general currency business which is limited to the selling and issuing of money orders. It does it without a license issued under



the Act within the same limits within which plaintiffs wish to operate without being licensed" (Rec. 509, 510).

The Court then concluded that the amended complaint should be dismissed for want of jurisdiction on the ground that it could not decide the constitutional question presented in the absence of an authoritative determination by the Illinois Supreme Court that the exemption of American Express Company is constitutional as applied to persons in the position of these plaintiffs (Rec. 510).

One of the judges dissenting stated that he would grant the prayer of the plaintiffs' amended complaint (Rec. 507, 508).

### **SUMMARY OF THE ARGUMENT.**

The District Court had jurisdiction, the Supreme Court of Illinois in holding the Act constitutional having found that the exemption provision is not severable.

The denial to plaintiffs and all others, except the persons doing business under a particular name, of the right to conduct a lawful business, is a denial of the equal protection of the laws.

An injunction against the enforcement of an unconstitutional state statute, when it is essential to the protection of property rights, is a proper exercise of federal equity jurisdiction. The fact that prosecuting officers of the state have threatened to enforce against the plaintiffs an unconstitutional state law relating to their business, and if not enjoined will prosecute the plaintiffs unless they comply with such law, shows the imminence of irreparable injury justifying the exercise of such jurisdiction.

## ARGUMENT.

### I.

#### The District Court had jurisdiction.

(a). The prohibition of the challenged statute extends to *all* persons, firms and corporations, which necessarily includes the plaintiffs; the defendants have admittedly construed the Act to apply to plaintiffs and there is no ambiguity nor lack of clarity in this respect. It is only when a challenged state statute is ambiguous or its application or scope so ill defined as to require construction that the federal courts await construction by the state courts and even then merely stay action pending state court proceedings, their jurisdiction not being dependent upon a previous presentation of the constitutional question to the state court.

(b) The Supreme Court of Illinois has held the Act and the exemption valid without suggesting that its decision in any way rested on the nature of the activities of the plaintiffs in the decided case, [*McDougall v. Lueder*, 389 Ill. 141 (1945)].

(c) The Illinois court held that "the General Assembly would surely never have passed the Act if they had thought the said companies would be made subject to its rules and regulations", thus finding that the exemption provision was not severable, all of which distinguishes the case from *Watson, et al. v. Buck, et al.*, 313 U.S. 387, *Spector Motor Co. v. McLaughlin*, 323 U.S. 101, *Federation of Labor v. McAdory*, 325 U.S. 450, and *C. I. O. v. McAdory*, 325 U.S. 472.

and their agents and this is expressly admitted in the answer in the District Court (R. 29).

But the Court is asked by appellees to examine, analyze and weigh the evidence, to draw inferences therefrom which the District Court refused to draw, and to decide the case on the basis of findings of fact which the trial court refused to make—findings other and different from those made by the District Court. There is no showing or contention that the findings made by the trial court were clearly erroneous, and Rule 52(a) of the Rules of Civil Procedure applies. *U. S. v. U. S. Gypsum Co.*, 333 U.S. 364, 394; *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 336 U.S. 271, 274, 275; *U. S. v. Yellow Cab Co.*, 338 U.S. 338.

Appellees appear to contend that the District Court should have found, and that this Court should find, or direct the District Court to find on this record that plaintiffs did not come into court with clean hands because money orders sold by plaintiff Derrick (R. 224, 225, 258) under a sublicense from the plaintiffs Doud, McDonald and Carlson (R. 182-185), pursuant to a license duly assigned to them (R. 143-146) from Checks, Inc., the owner of the exclusive right to the printing and sale of "Bondified" money orders, a duly copyrighted and state-registered medium for the transfer of money (R. 135-142), bore the words "licensed" and "bonded." At the conclusion of the trial appellees made the same contention (R. 117-122), which the District Court refused to take seriously. The appellees, at page 10 of their brief, purport to set forth the text of the Bondified money order form, but omit the facts (a) that on each money order it was plainly indicated that the Bondified money transfer trademark was registered in the United States Patent Office by



## APPENDIX

### Text Of Pertinent Provisions Of Statute Here Involved.

Illinois Revised Statutes, 1953, Chap. 161 1/2.

#### COMMUNITY CURRENCY EXCHANGES

AN ACT in relation to the definition, licensing and regulation of community currency exchanges . . . approved June 30, 1943, L. 1943, vol. 1, p. 233; as amended by Act approved June 27, 1951, L. 1951, p. 562.

Sec. 1 (Rev. Stat. Sec. 31) *Definitions—Businesses to which Act applicable.*

§ 1. For the purposes of this Act: .

“Community currency exchange” means any person, firm, association, partnership or corporation, except banks incorporated under the laws of this State and National Banks organized pursuant to the laws of the United States, engaged at a fixed and permanent place of business, in the business or service of, and providing facilities for, cashing checks, drafts, money orders or any other evidences of money acceptable to such community currency exchange, for a fee or service charge or other consideration, or engaged in the business of selling or issuing money orders under his or their or its name, or any other money orders (other than United States Post Office money orders, American Express Company money orders, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders), or engaged in both such businesses, or engaged in performing any one or more of the foregoing services. . . .

Sec. 2 (Revised Stat. Sec. 32) *License to operate community currency exchange—Penalty for operation without license—Injunction.* § 2. No person, firm, association, partnership or corporation shall engage in the business of a community currency exchange or in the business of an ambulatory currency exchange without first securing a license to do so from the Auditor.

Any person, firm, association, partnership or corporation that violates this section shall be fined not less than \$500.00 nor more than \$1000.00 or imprisoned in the county jail for not more than one year, or both, and the Attorney General or the State's Attorney of the county in which the violation occurs shall file a complaint in the Circuit Court of the county to restrain the violation. As amended by act approved June 27, 1951. L. 1951, p. 562.

Sec. 4 (Revised Stat. Sec. 34) *Application for license—Contents—Fees.*

§ 4. Application for such license shall be in writing under oath and in the form prescribed and furnished by the Auditor. \* \* \* Such application shall be accompanied by a fee of \$25.00 which fee shall be for the cost of investigating the applicant. When the application for a community currency exchange license has been approved by the Auditor and the applicant so advised, an additional sum of \$50.00 as an annual license fee for a period terminating on the last day of the current calendar year shall be paid to the Auditor by the applicant \* \* \*

Sec. 5 (Rev. Stat. Sec. 35) *Bond—Conditions—Amount.*

§ 5. Before any license shall be issued to a community currency exchange the applicant shall file annually with and have approved by the Auditor a surety bond

Sec. 6 (Rev. Stat. Sec. 36) *Insurance against burglary, etc.—Amount.* § 6. Every applicant for a license hereafter shall, after his application for a license has been approved, file with and have approved by the Auditor a policy or policies of insurance \* \* \*

Sec. 8 (Rev. Stat. Sec. 38) *Exchange to be conducted as separate unit.* § 8. A community or ambulatory currency exchange shall not be conducted as a department of another business. It must be an entity financed and conducted as a separate business unit. \* \* \* No community currency exchange hereafter licensed for the first time shall share any room with any other business, trade or profession nor shall it occupy any room from which there is direct access to a room occupied by any other business, trade or profession.

Sec. 14 (Rev. Stat. Sec. 44) *Annual license fee.* § 14. \* \* \* The annual license fee for each community currency exchange shall be \$50.00.

Sec. 16 (Rev. Stat. Sec. 46) *Annual report—Investigations—Costs.* § 16. Each licensee shall annually \* \* \* file a report with the Auditor \* \* \*. The Auditor may at any time and shall at least once a year, investigate the currency exchange business of any licensee and of every person, partnership, association or corporation who or which shall be engaged in the business of operating a currency exchange



\* \* \* There shall be paid to the Auditor for each such examination a fee of \$20.00 for each day or part thereof for each qualified representative designated and required to conduct the examination \* \* \*

Sec. 24 (Rev. Stat. 54) *Penalties.*] § 24. Any person, firm, association, partnership or corporation who or which shall violate any provision of this Act for which no other penalty is herein prescribed shall, upon conviction, be fined not less than fifty dollars (\$50.00) nor more than five hundred dollars (\$500.00) and each violation shall constitute a separate offense.

Sec. 30 (Rev. Stat. 56.3) *Partial invalidity.*] § 30. If any part or provision of this Act shall be declared unconstitutional, the unconstitutionality of such part or provision shall not invalidate the constitutional provisions of this Act.

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STATUTE CITED.

Illinois Currency Exchange Statute, Ill. Rev. Stat.  
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Appeal from the United States District Court for the  
Northern District of Illinois.

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**REPLY BRIEF.**

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## STATEMENT

In 1943, Illinois enacted the Currency Exchange Statute. It was amended in various particulars in 1945, 1947, 1949, and 1951. (Ill Rev. Stat. 1953, Chap. 164, Paragraphs 30-56.3, Secs. 01-30.)

Sec. 1 (par. 31) defined "community currency exchange" as any person, firm, etc. except State and National banks, engaged at a fixed and permanent place of business, in the business of cashing checks, drafts, money orders or any other evidences of money, for a fee or service charge or other consideration, or engaged in the business of selling or issuing money orders *under his or their or its name*, or any other money orders (other than United States Post Office money orders, American Express Company money orders, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders), or engaged in both such businesses, or engaged in performing any one or more of the foregoing services.

Sec. 4.1 (par. 34.1) passed in 1951, defined "community", and provided that if the issuance of a license to a community currency exchange would not promote the convenience and advantage of the community in which the business is proposed to be conducted, then the application therefor shall be denied.

Sec. 5 (par. 35) required of currency exchanges the furnishing annually in graduated amounts of performance bonds to the Auditor of Public Accounts for the benefit of creditors of the currency exchange for liability incurred on money orders, or in connection with the rendering of any services performed by the currency exchange.

Sec. 6 (par. 36) required of currency exchanges the

IN THE  
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1955

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No. 129.

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GEORGE W. ROUD, DONALD Q. McDONALD, and J.  
~~WESLEY CARLSON~~, Doing Business as BONDIFIED  
SYSTEMS, and EUGENE DERRICK,

*Appellants,*

*vs.*

ORVILLE HODGE, Auditor of Public Accounts of the  
State of Illinois, et al,

*Appellees.*

---

Appeal from the United States District Court for the  
Northern District of Illinois.

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**REPLY BRIEF**

---

Appellees do not dispute that the questions presented for review are as stated at pages 2 and 3 of appellants' brief, and appellees do not include in their brief any statement of any other questions as required by the Court's Rule 40; that the propositions stated at pages 10, 11 and 12 and the decisions cited at pages 11 and 12 of appellants' brief are applicable to the questions presented for review is not disputed, and none of those decisions is distinguished, or mentioned, or referred to in appellees' brief; it is not denied that the Act applies to plaintiffs



furnishing to the Auditor of Public Accounts of insurance policies covering the currency exchange against loss by burglary, larceny, robbery, forgery, or embezzlement.

Sec. 8 (par. 38) provided that a currency exchange shall not be conducted as a department of another business, but must be an entity, financed and conducted as a separate business unit.

Sec. 18 (par. 48) defined "fixed and permanent place of business" by requiring a lease of at least 6 months duration, or other suitable evidence of permanency.

The Statute contains a broad, comprehensive plan for the regulation and inspection of currency exchanges from their inception to their dissolution or liquidation, all to the end that the public in dealing with them and transferring funds to them, may be protected against the dishonesty, bad judgment, or misfortune of the currency exchange operators.

The need for such regulation was made clear in *McDougall v. Lueder*, 389 Ill. 141, where the Court in upholding the constitutionality of the 1943 Act against an attack by community currency exchange operators, said, at p. 149:

"Any business conducted primarily or entirely by accepting the funds of other people, undertaking to keep the funds intact for an indefinite length of time . . . is one in which the public deserves more protection than only the judgment, skill and good luck of the proprietor to protect it against loss."

When it is realized that the volume of money orders, which are usually nothing more than the personal checks of the operators, issued by the 607 licensed community currency exchanges in Illinois, substantially exceeds 400 million dollars annually, the magnitude of the evil sought to be regulated becomes evident.

In 1951, the state legislature added certain findings and declarations embodied in Sec. 301 (par. 30). It found and declared *inter alia*: that the community currency exchange business was affected with a public interest; that no such currency exchange should be operated without a license or otherwise than in accordance with the Act; that the number of such currency exchanges should be limited in accordance with the needs of the communities they are to serve; that it is in the public interest to promote and foster the community currency exchange business and to assure the financial stability thereof.

In upholding the validity of Sec. 4.1 (par. 34.2) mentioned *supra*, the Court in *Gudlin v. Auditor of Public Accounts*, 414 Ill. 89, said, p. 95:

"The unrestricted issuance of licenses in a community to the point of saturation would tend to decrease the net earnings of each exchange to the point of insolvency of one or more of the exchanges with the inevitable result of losses to the public."

In the face of such a pronounced state public policy, appellants Doud, McDonald, and Carlson, now seek to nullify it by proposing to establish on a shoestring investment 500 or more agencies in Illinois for the sale of their personal money orders under the name of "Bondified".

It is a fair inference from the evidence that their partnership doing business as Bondified Systems in Illinois is insolvent.

They are operating also a Minnesota corporation in Indiana under the name of Bondified Systems, Inc., where they are doing an annual business in the sale of money orders in the name of the corporation, of \$1,400,000, through 120 agencies there; and all that exists in the corporate bank account is \$38.10.

The evidence is that the corporation and the partner-

Checks, Inc., of Minneapolis, Minnesota, and (b) the fact that the plaintiffs were licensed, that the plaintiff, Derrick was bonded (R. 186-191), and that the plaintiffs Boud, McDonald and Carlson were bonded (R. 147-155, 163, 168).

Appellees contend that by thus using the word "licensed" and "bonded" in this connection, the plaintiffs thereby represented that they held a license from the State of Illinois and were bonded under the challenged statute. There is no evidence that any member of the public purchased a Bondified money order with such understanding, or that any member of the public believed that the words had any such meaning, or that anyone was misled by them. The word "license" means simply permission or authority, and does not mean necessarily government or state authority. *Sinnot v. Davenport*, 63 U.S. (22 Howard) 227-240; *Elliott Co. v. Lagonda Mfg. Co.*, 205 Fed. 152, 157; *Western Electric Co. v. Pacent Reproducer Corp.*, C.C.A. (2), 42 Fed. 2d 116, 118; *Hartford Insurance Co. v. Peoria*, 156 Ill. 420, 427. The record shows that Bondified money orders, bearing precisely the same legend, (R. 257) have been, and are being sold in Michigan, where no state license is required to sell money orders (R. 79), and where 2,000,000 Bondified money orders aggregating about \$40,000,000 are sold each year (R. 76). There was no evidence that plaintiffs ever attempted, or intended, to represent, or did represent, to any one that they had complied with the challenged statute and there was no evidence that they did not at all times act in entire good faith.

The inferences sought to be drawn from the purported description of appellants' activities, as stated at pages 7 to 10 of appellees' brief, are equally without validity.



The facts are as follows: The plaintiffs Doud, McDonald and Carlson, citizens of Illinois, in 1953 became interested in the sale of "Bondified" money orders, found they could obtain a license from Checks, Inc., the owner of the copyrighted and federally registered service named "Bondified" (R. 39), and organized a Minnesota corporation (R. 40); the corporation applied for a certificate of authority to do business as a corporation in Illinois (R. 40), but because of a "policy" adopted while the chief clerk of the Corporation Department of the office of the Secretary of State was absent in 1944 (R. 83, 126) before the Secretary of State would issue such certificate of authority it was necessary to get from the State Auditor a letter of "clearance". This "policy" did not extend to other corporations such as brokerage houses or real estate concerns that would have to have a license before they could operate (R. 85). The plaintiffs then changed the name of their corporation to Bondified Systems, Inc. and obtained a license for it to operate as a corporation in Illinois by providing that the corporation would not engage in business in Illinois as a currency exchange (R. 41, 127). They then proceeded to operate the business of selling money orders as a partnership, leased certain premises in Chicago (R. 134-B), took an assignment from the corporation to the partnership of the license from Checks, Inc. (R. 42), and entered into an agency agreement with the corporation whereby the partnership would conduct operations for the corporation in northern Indiana (R. 169, 172). The plaintiffs Doud, McDonald and Carlson entered into a deposit agreement with a Chicago Bank (R. 157), executed other instruments required by that agreement and their license agreement and licensed the plaintiff Derrick as their agent (R. 182). Derrick notified the appellee Hodge by registered letter (R. 88, 247)

that he had received the agency, that he claimed that the "Community Currency Exchanges Act of Illinois violated his constitutional right to operate a legal business and that he intended to commence the sale of Bondified money orders as soon as he received his supplies. The answer admits that the defendants have "threatened to enforce the said statute against the plaintiffs if the latter violated the same" (R. 29). Derrick received his supplies and proceeded to sell Bondified money orders (R. 224, 225), and to make reports and remittances to the plaintiffs Doud, McDonald and Carlson (R. 226; 227), and the money orders were paid out of the bank account in which the remittances were deposited (R. 224-243), and the plaintiffs filed this suit.

It is submitted that the appellees have not cited any authority to support the contention that before challenging a state statute in the federal courts plaintiffs must first exhaust their remedy in the state courts, when prosecuting officers have threatened, and if not enjoined, will prosecute them unless they comply with an unconstitutional law relating to their business, and withdrawal from further business until a test case is taken through the state courts, and perhaps to this Court, would result in a substantial loss of business for which no compensation could be obtained. There is the imminence of irreparable injury justifying the exercise of federal equity jurisdiction.

Respectfully submitted,

JOHN J. YOWELL,

*Counsel for Appellants.*

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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1954.

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**No. 129**

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GEORGE W. DOUD, DONALD Q. McDONALD, AND J.  
WESLEY CARLSON, DOING BUSINESS AS BONIFIED  
SYSTEMS, AND EUGENE DERRICK,

*Plaintiffs,*

ORVILLE HODGE, AUDITOR OF PUBLIC ACCOUNTS OF THE  
STATE OF ILLINOIS, LATHAM CASTLE, ATTORNEY GEN-  
ERAL OF THE STATE OF ILLINOIS, AND JOHN GUT-  
KNECHT, STATE'S ATTORNEY OF COOK COUNTY, ILLINOIS,

*Defendants.*

---

APPEAL FROM UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

---

**MOTION TO AFFIRM.**

---

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APPEAL FROM UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

---

## MOTION TO AFFIRM.

Appellees, pursuant to Rule 16 of the Revised Rules of  
the Supreme Court of the United States, move that the  
decree of dismissal of the District Court be affirmed on  
the ground that it is manifest that the questions on which  
the decision of the cause depends are so unsubstantial as  
not to need further argument.



ship do business as one entity — same Chicago office, same books; same employees.

The money order sold by appellants misrepresent on their face that they are "licensed" and "bonded". The evidence is that they are not licensed by the state, and they are not bonded for the benefit of the public. The obvious purpose of such a fraud is to make the public believe that they are licensed and bonded under the Currency Exchange Statute.

The evidence showed that the American Express Company is an unincorporated association organized under the laws of New York in 1868 with a consolidated worth then of \$18,000,000. Its consolidated assets as of 1953 totalled \$564,225,148; and its surplus and reserves amounted to \$17,563,840. It has over \$2,000,000 on deposit in 14 Illinois banks, and maintains 3 offices in Chicago.

It has thousands of offices and sub-agencies all over the world; it was the depository of the United States Treasury Department; it is subject to federal surveillance, and its wholly owned subsidiary, American Express Company, Inc., is licensed and examined by the Banking Department of New York.

Its financial responsibility has stood the test of time. It has outlived many depressions. It is a worldwide institution of vast ramifications and proportions, and there is no other like it.

The evidence showed also that for the year ended September 30, 1952, the 697 licensed community currency exchanges in Illinois issued \$445,812,899 in money orders; that their assets totalled \$15,780,631; that in excess of 80% of said sum constituted cash and liquid funds; that they filed with the Auditor of Public Accounts surety performance bonds in accordance with Sec. 5 of the Statute aggregating \$7,781,000, and covering 91.7% of their average money order liability.

\* No application for a temporary injunction was ever made by appellants in the District Court. It was not alleged, and it does not appear, that any proceeding was instituted in the State courts to restrain appellants, or to subject them to the criminal penalties provided by the Statute. There was no showing of irreparable injury, clear, great, and imminent.

The District Court dismissed the amended complaint for want of jurisdiction because of appellants' failure to exhaust their remedy in the State courts and secure a decision from the Supreme Court of Illinois on the constitutionality of the Statute *as applied to them*.

## ARGUMENT

It is not true, as is recited on p. 8 of the jurisdictional statement, that "every material allegation of the amended complaint was either admitted or found as a fact by the court."

The facts set forth above, which were not alluded to by appellants, or the District Court, are deserving of consideration in determining whether that Court abused its judgment in refusing to extend to appellants the assistance of the federal equity jurisdiction. It is needless to suggest that the existence of a question as to the constitutionality of a state law is not itself ground for relief in the Federal courts. Other conditions must be met before the Federal courts will take jurisdiction; and they have certainly not been met in the case at bar.

1. Where the plaintiffs have a clear and adequate remedy in the State courts, as they do here, the Federal courts will not entertain equity jurisdiction to pass upon the constitutionality of State legislation. (*Burford v. Sun Oil Co.*, 319 U. S. 315, 332, 333, footnote 29; *Alabama Com. v. Southern Ry. Co.*, 341 U. S. 341, 349, 350.)

2. Before the Federal courts will entertain such jurisdiction, it must appear that "the danger of irreparable loss is both great and imminent." No such showing has been made here; and no reason appears why appellants, if civil or criminal proceedings were brought against them in the State courts, could not set up the alleged unconstitutionality in such proceedings. (*Douglas v. Jeannette*, 319 U. S. 157, 162-164; *Watson v. Buck*, 313 U. S. 387, 400, 401.)

3. Where the threatened prosecution is by state of-



filers for alleged violations of a State law, the State courts are the final arbiters of its meaning and application, subject only to review by the United States Supreme Court on federal grounds appropriately asserted. (*Douglas v. Jeannette*, 319 U. S. 157, 163.) Only the State Supreme Court can give the authoritative answer; and this Court has "insisted that Federal Courts do not decide question of constitutionality on the basis of preliminary guesses regarding local law", and that any speculative construction of how the State Supreme Court would view the law, was at best "a forecast rather than a determination." (*Specter Motor Co. v. McLoughlin*, 323 U. S. 101, 104, 105.) This Court has also said that it would be an abuse of discretion on its part to make a pronouncement on the constitutionality of a State Statute, *which the State Courts would not be bound to follow*, "when the court is left in uncertainty, which it cannot authoritatively resolve, as to the meaning of the Statute *when applied to any particular state of facts*." (Italics ours.) (*Federation of Labor v. McAdory*, 325 U. S. 450, 471.) And in *C. I. O. v. McAdory*, 325 U. S. 472, 477, this Court again said:

"Since the State Supreme Court did not pass on the question now urged, and since it does not appear to have been properly presented to that court for decision, we are *without jurisdiction* to consider it in the first instance here." (Italics ours.)

4. Federal courts will not seize litigations from State courts because one, normally a defendant, goes to the Federal court to begin his federal law defense before the State court begins the case under State law. Anticipatory judgment by a Federal court to frustrate action by state officials is intolerable to our federalism. (*Public Service Com. v. Wycoff Co.*, 344 U. S. 237.) Where equitable interference with State statutes is sought in the Federal courts, judicial consideration of acts of importance primarily to

the people of the State should be left by the Federal Courts to the State courts unless *exceptional circumstances* command a different course. (*Stainback v. Mottick*, 296 U. S. 368, 383.)

5. The question whether the severability clause contained in Sec. 30 (par. 50.3) of the Statute in question would be so applied as to remove the alleged objection is a question which may be more appropriately left for adjudication to the Illinois Supreme Court. (*Liggett v. Lee*, 288 U. S. 517, 541; *Dorkey v. Kansas*, 264 U. S. 286, 290, 291.)

6. The question whether appellants have come into equity with unclean hands, which the appellees interposed as a defense in their answer to the amended complaint, is likewise a matter of local law. (*Ford v. Caspers*, 128 F. (2) 884, 885, C. A. 7.)

7. Appellants' assertion that the Statute is clear, and that *McDougall v. Lueder*, 389 Ill. 141 is a clear decision of the State Supreme Court that the exemption of American Express Company is valid, so that there was no need for farther recourse to that Court, is emphatically contradicted by *Currency Services, Inc. v. Matthew*, 90 F. Supp. 40, which appellants also insist controls the case at bar.

In the latter decision, Circuit Judge Lindley said that inasmuch as the plaintiffs there were engaged solely in the business of selling money orders, they were in a position to attack the alleged discrimination in the Wisconsin Statute, and that *Wedesiedler v. Brundage*, 297 Ill. 228, rather than the *McDougall* case applied; that if the plaintiffs there had been engaged in the "usual" currency exchange business, then the result would be different, and the *McDougall* case would control; and ordered the issuance of a permanent injunction until such time as the plaintiffs went into the "usual" community currency exchange business.

If, therefore, appellants here rely entirely upon Judge Lindley's decision, as they stated upon the trial, and repeat in their jurisdictional statement, then it is certainly a matter for the Illinois Supreme Court to decide whether *as applied to them*, the *Wedgeweiler* case or the *McDougall* case should control.

If, on the other hand, appellants would disagree with Judge Lindley and say that the *McDougall* case does settle the matter for Illinois *as applied to them*, it still would not justify the exercise of Federal equity jurisdiction, because the objection of lack of irreparable loss, both great and imminent, has not been removed, and also because the assertion that the State Supreme Court has already passed upon the question does not mean that the question should not be presented to it again. It does not necessarily follow that if the matter were presented by appellants to that Court again, especially in the light of Judge Lindley's opinion, it might not change its holding.

That very position was taken by the 7th Circuit Court of Appeals in an analogous situation, *Achtien v. Dowd*, 117 F. (2) 989, at 995, concurred in by Judge Lindley.

That Judge Lindley was not in disagreement with the views contended for by appellees in this motion appears also from the *per curiam* opinion in *Berins v. Prindable*, 39 F. Supp. 708 (aff'd, 314 U. S. 573), in which Judge Lindley likewise participated.

In the light of such decisions, it is not likely that Judge Lindley would have decided *Currency Services, Inc. v. Matthew*, 90 F. Supp. 40, as he did, had the federal court's jurisdiction been questioned there.



### Conclusion.

In *Railroad Com. v. Patman Co.*, 312 U. S. 496, 499, 500, this Court aptly said:

The last word on the meaning of \* \* \* the Texas Civil Statutes \* \* \* belongs neither to us nor the district court but to the Supreme Court of Texas. \* \* \*

The history of equity jurisdiction is the history of regard for public consequences, in employing the extraordinary remedy of the injunction. \* \* \* For public interests have a higher claim upon the discretion of a federal chancellor than the avoidance of needless friction with State policies. (Italics ours.)

At least as forcible in its impact upon the present case is *Chicago v. Fidelity Trusts*, 316 U. S. 168. In that case, respondent assailed an ordinance the intent of which was to interdict the retail sale of milk in waxed paper containers instead of glass bottles. The ordinance was attacked on the ground that (1) it was insubordinate to State legislation, which, it was claimed, had stripped cities of the power to regulate the type of containers in which milk could be sold to consumers, (2) it was insubordinate in various respects to the Constitution of Illinois, (3) it denied Fourteenth Amendment due process and (4) unreasonably burdened interstate commerce. This Court held that the presence of substantial questions of State constitutional and statutory law should have remitted the parties to the State tribunals for resolution of those questions.

A "state-wide doom by a federal court of a state's legislative policy" without first permitting the State Supreme Court to pass upon it, would hardly comport with that restraint which this Court has frequently exhorted the lower Federal courts to exercise in cases of this kind. (*Alabama Com. v. Southern Ry. Co.*, 341 U. S. 341, 349; *Great Lakes Dredge & Dock Co. v. Hoffman*, 319 U. S. 293, 297-298; *Towery v. N. Y. Life Ins. Co.*, 314 U. S. 198.

429, 441; *Phillips v. F.* S., 312 U. S. 246, 250, 251; *Rayford v. Sun Oil Co.*, 319 U. S. 315, 332.)

The motion to affirm should be granted.

Respectfully submitted,

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**BRIEF FOR APPELLEES.**

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dation between the American Express Company and the Merchants Union Express Company. Its consolidated worth then was 18 million dollars. The Articles of Merger and other exhibits show that the American Express Company is an unincorporated association organized under the laws of New York, with officers; a board of directors; a constitution and by-laws; shares of stock and stockholders; a stock transfer agent and transfer book; a chairman and vice-chairman of the Board; an executive committee; and substantially all other corporate amenities. (Def's. Deposition Exs. 1, 2, 3; R. 96, 389, 400, 434.)

Certified audit reports of the company for the years 1939, 1941, 1942, 1943, 1944, 1949, 1950, 1951, 1952 and 1953, reflect in detail the assets, liabilities, income, tangible net worth, net profit, surplus and reserves for each of those years. (Def's. Deposition Exs. 4 to 13, R. 96, 438-502.)

In 1939, its assets totalled \$76,529,766.68; surplus and reserves aggregated \$6,990,996.39; income totalled \$6,751,204.63; net income amounted to \$1,582,451.18. (R. 474-476.)

In 1953, its consolidated assets totalled \$564,225,148.00; surplus and reserves aggregated \$17,563,840.00; income totalled \$36,069,592.00; and net income after taxes amounted to \$4,284,082.00. (R. 466.)

It handles world-wide travel service; the sale and servicing of travelers' checks, money orders; and foreign remittances. It handles import and export shipments. It was the general foreign freight and passenger agent of the New York Central Railroad. It was the depository of the United States Treasury Department before and after the Second World War, and maintained with the Federal Reserve Bank in New York government bonds to offset government deposits with it dollar for dollar. (R. 321, 322.)

## STATUTES CITED.

Federal Rules of Civil Procedure, Rules 4(d)(3) and  
4(d)(7) ..... 35

Illinois Civil Practice Act, Ill. Rev. Stat. 1955, Chap.  
510, paragraphs 13.4 and 27.1 ..... 35

Illinois Currency Exchange Statute, Ill. Rev. Stat.  
1955, Chap. 16½, paragraphs 30-56.3, Appendix I, 3, 39

## TEXT BOOK CITED.

Constitution of the United States, Analysis and Inter-  
pretation, By Legislative Reference Bureau, p: 1153 38

IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1954

No. 129.

GEORGE W. DOUD, DONALD Q. McDONALD, AND J.  
WESLEY CARLSON, DOING BUSINESS AS BONDFIED  
SYSTEMS, AND EUGENE DERRICK,

*Appellants*

vs.

ORVILLE HODGE, AUDITOR OF PUBLIC ACCOUNTS OF THE  
STATE OF ILLINOIS, ET AL.,

*Appellees*

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS.

**BRIEF FOR APPELLEES.**

MAY IT PLEASE THE COURT:

The inadequacy of the facts presented by appellants necessitates a further statement of the case.

**STATEMENT OF CASE.**

The answer filed by appellees to the amended complaint denied the material allegations thereof; detailed the scope and extent of the financial operations of the over 600 community currency exchanges licensed and operating under the Illinois Currency Exchange Statute; alleged that the Statute was not accurately or sufficiently stated in the



amended complaint; recited something of the history, size and financial strength of the American Express Company, and showed that the Illinois legislature in the enactment of the Statute may have reasonably believed that the substantial differences that existed between appellants and the American Express Company with reference to their character, solvency, financial responsibility, age, experience, business and monetary facilities, were pertinent to the subject with respect to which the challenged classification was made, and that the evil at which the Statute was in part directed, namely, the issuance and sale of worthless money orders by financially irresponsible parties, did not exist in the operation of the American Express Company to the same extent as in the operations of the local currency exchanges including those of the kind allegedly operated by appellants. (R. 25-34.)

The answer did not admit that appellees threatened that any attempt by appellants to operate their business would bring down upon appellants *actions* in the State courts, but admitted they threatened to enforce the Statute in the event appellants violated the same, and averred that the threat was not directed against any particular conduct of appellants; that at the time thereof, appellants either had not violated the Statute or appellees were not apprised of any violation; that appellees were not informed of any violations until the amended complaint informed them of the same; that appellees have taken no legal steps against appellants to enforce the Statute. (R. 29.)

The answer further alleged that appellants have a speedy and adequate remedy in the State courts; that they do not show the imminence and immediacy of any enforcement of the Statute, or any exceptional or irreparable injury they might sustain if they prosecuted their action in the State courts; and that they have not presented to the Illinois Supreme Court the constitutional question now urged. (R. 36.)

The answer further set forth that appellants practiced fraud and deception upon the public in the conduct of their business; that the wording of their money orders was reasonably and well calculated to deceive and defraud the people of Illinois into the belief that appellants were licensed and bonded in accordance with the Statute; and that they do not come into equity with clean hands. (R. 30-33.)

Although considerable evidence, including depositions and numerous exhibits, was adduced at the trial, little reference thereto is made by appellants, or in the District Court's findings, although findings in that regard were requested.

The Illinois Currency Exchange Statute was enacted in 1943, and amended in various and substantial particulars in 1945, 1947, 1949, and 1951. (Ill. Rev. Stat. 1955, Chap. 161, paragraphs 30-56.3, Secs. 61-30.)

The statutory provisions set forth in appellants' appendix are insufficient, and the recitation of excerpts of Sec. 16 is misleading, because it would appear therefrom that the State Auditor charges \$20 a day for his annual investigation of the currency exchange business, while that section actually provides no charge for the investigation, but a charge of \$20 a day only where he subpoenas witnesses and conducts an examination of witnesses. Appellants emphasized in the Court below the burdensome expense entailed by the *non-existent investigation fee*.

Hence we have attached in the appendix to this brief a complete copy of the Statute.

The Statute contains a broad, comprehensive plan for the regulation and inspection of currency exchanges from their inception to their dissolution or liquidation, all to the end that the public in dealing with them and transferring funds to them, may be protected against the dishonesty, bad

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judgment, or misfortune of the currency exchange operators, which it may reasonably be assumed, furnished ample background for the passage of this legislation.

As appears from Sec. 01 of the Statute, the currency exchange business in Illinois has become so widespread since the bank holiday in 1933, and so extensively and intimately integrated with the financial institutions of the State that the legislature found that it was affected with a public interest affecting the convenience, general welfare, and economic interest of the people of Illinois.

Illinois was the first state to adopt such legislation. For reasons undisclosed by the record, it has proved a fertile ground for the growth of the currency exchange business. Wisconsin in 1945 copied the 1943 Statute, but not the subsequent amendments, and it has only 7 currency exchanges (R. 110; Judge Hoffman's statement), while Illinois as of September 30, 1952, had 607 licensed currency exchanges. (R. 293; Defs.' Ex. 7, R. 96, 289.) Other states like California, New York and New Jersey have legislated in recent years in relation to one or both phases of the currency exchange business, but their statutes bear little resemblance to the Illinois Statute.

Sec. 1 of the Illinois Statute defined "community currency exchange" as any person, firm, etc. except State and National banks, engaged at a fixed and permanent place of business, in the business of cashing checks or other evidences of money, for a fee or other consideration, or engaged in the business of selling or issuing money orders *under his or their or its name*; or any other money orders (other than United States Post Office money orders, American Express Company money orders, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders); or engaged in both such businesses, or engaged in performing any one or more of the foregoing services.



5.  
Sec. 3 permitted currency exchanges to render such additional services as obtaining automobile licenses, rendering a photostat service, a notary service, selling travelers cheques obtained from a banking institution under trust receipt, and accepting for payment local utility bills.

Sec. 4.1, passed in 1951, defined "community", and provided that if the issuance of a license to a community currency exchange would not promote the convenience and advantage of the community in which the business is proposed to be conducted, then the application therefor shall be denied.

Sec. 5 required of community currency exchanges the furnishing annually in graduated amounts ranging from \$3,000 to \$25,000, of performance bonds to the State Auditor for the benefit of creditors of the currency exchange.

Sec. 6 required the furnishing to the State Auditor of insurance policies ranging from \$2,500 to \$35,000, covering the currency exchange against loss by burglary, larceny, robbery, forgery or embezzlement.

Sec. 7 required that each community currency exchange have a minimum of \$3,000 of its own cash funds available at all times, exclusive of and in addition to funds received for exchange or transfer; and in addition shall have on hand at all times an amount of liquid funds sufficient to pay on demand all outstanding money orders issued by it.

Sec. 8 provided that a currency exchange shall not be conducted as a department of another business, but must be an entity, financed and conducted as a separate business unit.

Sec. 18 defined "fixed and permanent place of business" by requiring a lease of at least 6 months duration, or other suitable evidence of permanency.

In *McDougall v. Lueder*, 389 Ill. 141, the State Supreme Court, in upholding the constitutionality of the 1943 Statute

against an attack by community currency exchange operators, said, p. 149.

"Any business conducted primarily or entirely by accepting the funds of other people, undertaking to keep the funds intact for an indefinite length of time . . . is one in which the public deserves more protection than only the judgment, skill and good luck of the proprietor to protect it against loss. The opportunities for loss through embezzlements, larceny, the unauthorized use of funds, including bankruptcy through the mishandling of funds, is obvious.

When it is realized that the volume of money orders, which are usually nothing more than the *personal* checks of the operators, issued by 607 licensed community currency exchanges in Illinois for the year preceding September 30, 1952, exceeded 445 million dollars (R. 294; Defs. Ex. 7, R. 96, 289), the magnitude of the evil sought to be regulated becomes evident.

In 1951, the State legislature added certain findings contained in Sec. 01, which in addition to declaring that the currency exchange business was affected with a public interest, found that the number of community currency exchanges should be limited in accordance with the needs of the communities they are to serve, and that it is in the public interest to promote and foster the community currency exchange business and *to assure the financial stability thereof*.

In upholding the validity of Sec. 4.1 *supra*, the State Supreme Court in *Gadlin v. Auditor of Public Accounts*, 414 Ill. 89, 95, said:

"The unrestricted issuance of licenses in a community to the point of saturation would tend to decrease the net earnings of each exchange to the point of insolvency of one or more of the exchanges with the inevitable result of losses to the public."

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In the face of such a pronounced state public policy, appellants Dond, McDonald and Carlson now seek to nullify it by proposing to establish on a shoestring capital investment of \$10,000, five hundred or more agencies in Illinois for the sale of their *personal* money orders under the name of "Bondified". (R. 12, 19.)

### Appellants' Bondified Systems.

The history and activities of appellants who challenge the Statute, are worthy of some notice.

On May 18, 1953, they organized under the laws of Minnesota a corporation known as Currency Services of Illinois, Inc. on a stated capital of \$10,000 to manufacture, sell and distribute money orders, and other currency service materials, and to appoint agents in the *State of Illinois* to sell and distribute the money order and materials. (Defs.' Ex. 2, R. 96, 259, 260.)

Their application to the Secretary of State of Illinois for a license to do business in Illinois was denied. (Pls.' Exs. 1 and 2, R. 95, 126, 127.)

They thereupon changed the corporate name to Bondified Systems, Inc., amended their articles of incorporation so that the purposes would not be construed to authorize the corporation to conduct a currency exchange business as defined in the Statute now challenged (Defs.' Ex. 2, R. 96, 259, 266), and thereafter on July 30, 1953, secured a certificate of authority to do business in Illinois. This certificate expressly prohibited the corporation from engaging in the currency exchange business. (Defs.' Ex. 3, R. 96, 269, 272.)

Under date of August 6, 1953, Bondified Systems, Inc., of which appellants, except Derrick, were all the stockholders and directors (R. 173, Pls.' Ex. 10, R. 95, 169, 173), secured a franchise from Checks, Inc., a Minnesota corpo-



ration, to sell and distribute to the public directly and through agencies appointed by Bondified Systems, Inc. in certain areas in Illinois and Indiana. "Bondified" money orders. Bondified Systems, Inc., agreed to capitalize with not less than \$40,000 paid in. (Pls.' Ex. 5, R. 95, 135.)

Check~~s~~, Inc. was capitalized at \$50,000. (Def's. Ex. 6, R. 96, 277, 287.)

Under date of August 15, 1953, Bondified Systems, Inc., assigned to appellants, a limited partnership called Bondified Systems, that part of the franchise relating to Illinois. (Pls.' Ex. 6, R. 95, 143.)

Under date of November 14, 1953, Bondified Systems, Inc. and Bondified Systems, the partnership, entered into an agreement reciting that both had the same office, and that it would be more economical and in their best interests to operate both businesses as one entity only, with but one set of operating employees, books of account, bank accounts, employee tax returns and related operational elements. They agreed that the partnership would be the operating agent of the corporation in Indiana; that both businesses would operate as one entity; that \$30,000 of the moneys appellants were to pay for their stock in the corporation, was to be diverted into the partnership as their capital contributions to the partnership; and that the partners could terminate the partnership at any time by assigning the partnership business to the corporation, and receiving therefor capital stock in the corporation to the amount of \$10,000 par value each. (Pls.' Ex. 10, R. 95, 169.)

Three bank accounts were opened. Bondified Systems, Inc. opened its corporate account; and the partners opened a so-called "varmarked" account designated as the Bondified Special Account, and their operating account, both for the use and benefit of the corporation and the partnership. (R. 61, 62; Pls.' Ex. 8, R. 95, 157, 159, 161.)

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The Special Account out of which the money orders of both the corporation and the partnership were to be paid, was to be commenced with an initial deposit of \$10,000, and a balance of not less than that sum was to be maintained. (Pls. Ex. 8, R. 95, 157.) The bank was to receive a bond guaranteeing the bank up to \$10,000. (Pls. Ex. 8, R. 95, 158.)

The corporation commenced business in Indiana November 9, 1953. During the first year of operations, it appointed 120 agents there, and sold \$1,140,000 of money orders. (R. 52, 64.) At the end of that period, there was only \$38.10 in the corporate account. (R. 57, 61.)

There was approximately \$4,000 in the joint operating account. (R. 62.)

There was \$22,827.53 in the Special Account as of November 30, 1954, the day before the trial. (R. 62.) None of the appellants seemed to know the amount of their outstanding money orders which had not been paid. (R. 49, 75.)

Nor did they know what portion of the operating and special accounts belonged to the corporation and partnership respectively. (R. 66.)

The corporation has "siphoned" into the partnership \$15,000 or \$16,000 that has not been repaid. (R. 47, 65.)

From each of the stock subscriptions of the appellants to the corporation, \$10,000, or a total of \$30,000, has been diverted to the partnership. (R. 46.) There is no evidence that this has been repaid.

They have no other assets except some office equipment and stationery. (R. 66.)

Several bonds of appellants were received in evidence; but except for the \$10,000 bond given to the bank to protect the latter against overdrawing (Pls. Ex. 9, R. 95, 163), the

remaining two bonds were mere fidelity bonds to protect appellants against individual fraud and dishonesty. One was a thousand dollar bond executed by the agency in favor of the corporation and partnership (Pls. Ex. 13, R. 95, 186-190), and the other was a \$10,000 bond indemnifying them against loss resulting from dishonesty or fraud committed by any employee. (Pls. Ex. 7, R. 95, 147-155.) They were not performance bonds for the benefit of money order purchasers as required by Sec. 5 of the Statute.

Appellant Derrick was a druggist in Wheaton, DuPage County, Illinois, who sold Bondified money orders there pursuant to an agency agreement dated August 11, 1953. (Pls. Ex. 12, R. 95, 182.) He was their only agent in Illinois. (R. 68.) Under that date, he wrote a letter to the State Auditor informing the latter of his intention to sell Bondified money orders even though "I have been told that the Community Currency Exchange Act of the Illinois laws does not authorize my sale of these articles." (Pls. Ex. 23, R. 95, 247.) He received no reply. (R. 88.) He sold his first Bondified money order October 19, 1953 (R. 91, Defs. Ex. 4, R. 91, 96, 224) and has sold several hundred of them. (Pls. Exs. 18, 13, R. 95, 230, 231, 224.) He is still engaged in that business. (R. 89.)

### Context of Bondified Money Order.

The Bondified money order shows on its face the language "Bondified Money Order Service Operated Under License Granted To Bondified Systems, Inc., Chicago, Illinois." Where the partnership is the drawer, the "Inc." is omitted. Near the bottom center is an elliptical circle containing the words "Money Bondified Transfer". At the left of the circle is the word "Licensed", and at the right the word "Bonded". The stub, which is the customer's receipt, shows at the bottom the words "Pay your



"bills here", above the names of Bondified Systems, Inc. and Chicago, Illinois, and Derrick Drugs Agency. (Def's. Exs. 1, 4, 5, R. 96, 258; Pls.' Ex. 14, R. 96, 218.)

Appellants testified that "licensed" meant they were licensed by Checks, Inc., and not by any governmental agency (R. 60), and that "bonded" referred to the fidelity bonds and the bank bond aforementioned. (R. 62.) As to the words "Pay your bills here," Derrick testified that he had no arrangement to accept payment of utility or other bills, and that he actually never noticed those words before. (R. 90.) He admitted that the only license he had was from Bondified Systems. (R. 91.)

Appellants testified that although Bondified money order service operates in a number of other states (R. 71), they assumed no financial responsibility for them; that there is a unified advertising program for all franchise holders of the name "Bondified", so that the public sees unified advertising of "Bondified" by proprietors of many independent organizations who are not responsible for each other's liabilities. (R. 74, 75.)

### **The American Express Company.**

Appellees' evidence relative to the American Express Company is contained in the depositions taken in New York November 16, 1954, of Howard A. Smith, executive vice-president and a director of that company; John H. Baum and Frank J. Donohue, partners in Haskins and Sells, certified public accountants for the company; and Norman H. Page, senior vice-president, secretary, and also a director of the company. A large number of exhibits was introduced. The depositions and exhibits were received in evidence. (R. 96, 318-502.)

The present American Express Company originated November 28, 1868, as the result of a merger and consoli-

It submits to government surveillance, and furnishes the Treasury periodical reports of the expenses and revenue of its operations for the government. (R. 322.)

Its wholly owned subsidiary, American Express Company, Inc., is licensed by the New York State Banking Department. (R. 320.)

It has a network of 309 offices all over the world, of which 63 are in the United States. (R. 335.) It has a total of 61,909 correspondents, subagencies, and other outlets. (R. 335.) It has 7,766 employees. (R. 336.)

When the bank holiday was declared in 1933, the company had permission from the Treasury Department to stay open; it shipped currency all over the country in airplanes, and paid off all its obligations in cash. (R. 326, 327.)

The company started selling its money orders in 1882. (R. 325.)

The company has on the average about two and a quarter million dollars on deposit in 14 bank accounts in various communities in Illinois. (R. 327.)

The head office is located at 65 Broadway, New York, a 12-story building, which is only one of several buildings in that city where it houses its operations, and which belong to the company. Its main office has been there since before 1914. (R. 327.)

The company operates 3 offices in Chicago with about 200 employees in them. Two of these offices have been there at least 25 years. (R. 336, 337.)

### The Community Currency Exchanges

For the year ended December 31, 1950, the 577 licensed community currency exchanges issued \$359,485,363.00 in money orders; for the year ended September 30, 1951, the

597 licensed community currency exchanges issued \$402,799,476.00 in money orders; for the year ended September 30, 1952, the 697 licensed community currency exchanges issued \$445,812,899.00 in money orders. (Defs. Ex. 7, R. 96, 400.)

The assets of the community currency exchanges totalled as follows: As of December 31, 1950, \$14,416,708.00; as of September 30, 1951, \$14,772,542.00; as of September 30, 1952, \$15,780,631.00. In excess of 80% of these sums constituted cash and liquid funds. (Defs. Ex. 7, R. 96, 399.)

Pursuant to Sec. 5 of the Illinois Currency Exchange Statute, the community currency exchanges filed with the State Auditor for the benefit of their creditors corporate surety performance bonds aggregating \$6,800,000.00 for the year ending December 31, 1952, covering 80.2% of their average money order liability as defined in the Statute, and corporate surety performance bonds aggregating \$7,781,000.00 for the year ending December 31, 1953, covering 91.7% of their average money order liability. (Defs. Ex. 7, R. 96, 401.)

### **No Showing Why Federal Court Was Required to Decide Constitutional Question.**

No application for a temporary injunction was ever made by appellants in the Court below. It was not alleged and it does not appear, that any proceeding was instituted in the State courts by appellees to restrain appellants, or to subject them to criminal penalties. It does not appear that appellees made any threat of enforcement against any unlawful conduct of appellants. There was no showing of irreparable injury, clear, great and imminent. There was no claim that appellants did not have a clear and adequate remedy in the State courts. There was no showing that the Supreme Court of Illinois has passed



upon the precise constitutional question raised here by parties who claimed they were not in the "usual" community currency exchange business. There was no showing that the State Supreme Court had ever decided the severability clause contained in Sec. 30 of the Statute in question in its application to the constitutional issue here. There was no showing why the defense of unclean hands could not appropriately be left for adjudication to the State courts, or why the Court below, assuming it was required to exercise its jurisdiction, should not pass upon that defense before it decided the constitutional issue. There was no showing of such exceptional circumstances as would command the Federal Courts to exercise equity jurisdiction to interfere with a State Statute which is of importance primarily to the people of Illinois, and which is expressive of a pronounced State public policy as above shown:

#### SUMMARY OF THE ARGUMENT.

The existence of a question as to the constitutionality of a state law is not itself ground for relief in the Federal Courts. Appellants had a clear and adequate remedy in the State courts. There was no showing of irreparable injury, clear, great or imminent. There was no threat directed by appellees against any particular conduct, and no steps were taken to enforce the Statute challenged. In view of *Currency Services, Inc. v. Matthew*, 90 F. Supp. 40 (W. D. Wis.), relied upon by appellants in the District Court, and in their jurisdictional statement here, the precise constitutional question raised has never been passed upon by the Supreme Court of Illinois. The Federal courts cannot indulge in a speculative construction of how the Supreme Court of Illinois would view the law.

There are other reasons why appellants should be remitted to the State Courts. The defense of unclean hands

is a matter of local law. The question whether the severability clause contained in Sec. 30 of the Statute in question applies so as to remove the alleged discrimination, may be more appropriately left for adjudication to the State courts. The question whether appellants are in the same class with American Express Company and comparably situated, is one that first should be decided locally. Whether the Exemption is a valid "grandfather" clause, has never been passed upon by the Supreme Court of Illinois. Even if it were considered that the State Supreme Court has passed upon the constitutional issue involved here, it does not follow that it might not change its holding, in view of *Currency Services, Inc. v. Matthew*, 90 F. Supp. 40 (W. D. Wis.).

This case may be decided on other grounds, and there is no necessity to decide the constitutional issue. The unclean hands defense has not been decided. That appellants have availed themselves of the benefits of the Statute and are foreclosed from attacking it, is an undecided issue. Whether appellants and American Express Company are in the same class, has not been passed upon.

Should the Court reach the constitutional question involved here, then the decisions of this Court leave no doubt of the validity of the Exemption. The Illinois legislature had the right to believe that the evil sought to be curbed, namely, the sale of money orders by financially irresponsible persons, did not exist in the case of the American Express Company as it did in the case of local operators who, like appellants here, often operated on a shoestring, and that the public interest would be no more advanced by bringing that company under the Statute than it would by bringing the Postoffice and banks and telegraph companies under it. The Constitution does not prohibit special laws inflexibly, and always. The problem in the last analysis is one of legislative policy, with a wide margin of discretion conceded to the lawmakers.

## ARGUMENT.

## I.

## THERE WERE MANY SUBSTANTIAL REASONS WHY THE DISTRICT COURT WAS JUSTIFIED IN DECLINING JURISDICTION.

It is needless to suggest that the existence of a question as to the constitutionality of a State law is not itself ground for relief in the Federal Courts. (*Watson v. Buck*, 313 U. S. 387, 401; *Spiegelman Motor Sales Co. v. Dodge*, 295 U. S. 89, 95, 96.)

Want of equity jurisdiction may, in the discretion of the court, be objected to on its own motion; and this Court has said that the Federal Court should especially do so where its powers are invoked to interfere by injunction with threatened prosecution in a State court. This Court has said that Congress has adopted the policy, with certain well defined statutory exceptions, of leaving generally to the State courts the trial of criminal cases arising under the state laws, subject to review by this Court of any federal questions involved; that federal courts of equity should conform to this policy by refusing to interfere with threatened proceedings in the State courts save in those exceptional cases which call for the interposition of a court of equity to prevent irreparable injury which is clear and imminent; and that equitable remedies infringing this independence of the states should be withheld if sought on slight or inconsequential grounds.

No person is immune from prosecution in good faith for his alleged criminal acts, and courts of equity do not ordinarily restrain criminal prosecutions. The imminence alone of prosecution, even though alleged to be in violation



of constitutional guaranties, is not a ground for federal equity relief, since the constitutionality of the statute on which the prosecution is based may be determined as readily in the criminal case as in a suit for an injunction. (*Douglas v. Jeannette*, 319 U. S. 157, 162, 163; *Beal v. Missouri Pacific R. Co.*, 312 U. S. 43, 49, 50.)

In *Beal v. Missouri Pacific Ry. Co.*, 312 U. S. 45, 49, 50, the Court said that

"the federal courts are without jurisdiction to try alleged criminal violations of State Statutes. The State courts are the final arbiters of their meaning and appropriate application, subject only to review by this Court if such construction or application is appropriately challenged on constitutional grounds."

In *Railroad Com. v. Pullman Co.*, 312 U. S. 479, 500, the Court said:

"The last word on the meaning of \* \* \* the Texas Civil Statutes \* \* \* belongs neither to us nor the district court but to the Supreme Court of Texas \* \* \*"

"The history of equity jurisdiction is the history of regard for public consequences in employing the extraordinary remedy of the injunction. \* \* \* Few public interests have a higher claim upon the discretion of a federal chancellor than the avoidance of needless friction with State policies." (Italics ours.)

This Court has repeatedly said, because of the sensitiveness of the relationship between the federal and state courts, that federal courts should not decide questions of constitutionality on the basis of preliminary guesses regarding local law; and that any speculative construction of how the State Supreme Court would view the law, was at best a forecast rather than a determination; and that this Court was without jurisdiction, or would commit an abuse of discretion, to make a pronouncement on the constitutionality of a State Statute, which the State Courts would not be bound to follow, when the court is left in uncertainty

as to the meaning of the statute when applied to any particular state of facts. (*Federation of Labor v. McAdorn*, 325 U. S. 450, 471; *C. I. O. v. McAdorn*, 325 U. S. 472, 477; *Spector Motor Co. v. McLaughlin*, 323 U. S. 101, 104, 105.)

1. Where plaintiffs have a clear and adequate remedy in the State courts, as they do here, the Federal courts will not entertain equity jurisdiction to pass upon the constitutionality of State legislation. (*Burford v. Sun Oil Co.*, 319 U. S. 315, 332, 333, footnote 29; *Alabama Cem. v. Southern Ry. Co.*, 341 U. S. 341, 349, 350.)

2. Before the Federal courts will entertain jurisdiction, it must appear that the danger of irreparable loss is both great and imminent.

In *Watson v. Buck*, 313 U. S. 387, 400, the Court said:

"A general statement that an officer stands ready to perform his duty falls far short of such a threat as would warrant the intervention of equity. \* \* \* For such a general statement is not the equivalent of a threat that prosecutions are to be begun so immediately in such numbers, and in such a manner as to indicate the virtual certainty of that extraordinary injury which alone justifies equitable suspension of proceedings in criminal courts. The imminence and immediacy of proposed enforcement, the nature of the threats actually made, and the exceptional and irreparable injury which complainant would sustain if those threats were carried out, are among the vital allegations which must be shown to exist before restraint of criminal proceedings is justified. \* \* \* It is clearly apparent that there was a failure to give proper weight to what is in our eyes an essential prerequisite to the exercise of this equitable power."

In *Beal v. Missouri Pacific R. Co.*, 312 U. S. 45, 50, the contemplated filing of a single suit in the State court was held not to constitute a threat of irreparable injury.

There was no showing here even of a threat of a single suit. Appellees admitted in their answer their threat to

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 enforce the Statute in the event appellants violated the same, but that it was not directed against any particular conduct; that at the time thereof, appellants either had not violated the Statute, or appellees were not apprised of any violation; that appellees were not apprised of any violations until the amended complaint, filed May 5, 1954, informed them of the same; that appellees have taken no steps against appellants to enforce the Statute. (R. 29.)

Appellants' evidence tended to show that Carlson, one of appellants, and Mr. MacKenzie, one of their counsel, went to the State Auditor's office in early June, 1953, and that Mr. Jack Smith there (whose position does not appear) advised them of the law, and that the office would stand back of the law. (R. 41.) Inasmuch as appellants did not sell their first money order in Illinois until October 19, 1953 (R. 91, Defs.' Ex. 4, R. 91, 96, 224), it is clear that the only evidence adduced by appellants on this point established appellees' allegations, and the entire absence of irreparable injury, clear, great and imminent.

3. Appellants now assert that the Statute is clear, and that *McDougall v. Lueder*, 389 Ill. 141, is a clear decision, that the exemption of American Express Company is valid, so that there was no need for recourse to that court by appellants.

In this connection, it will be noted that their brief nowhere refers to *Currency Services, Inc. v. Matthew*, 90 F. Supp. 40 (W. D. Wis.), where a three judge court, in an opinion by Circuit Judge Lindley, held that the Wisconsin Currency Exchange Statute violated the equal protection clause in an attack by parties engaged in the money order business there. This significant omission from their brief denotes a major shifting of their position heretofore taken both in the District Court and this Court; and the elementary rule that such a change is not permissible, ought to be applied here, particularly in view of the fact that



their staunch reliance upon the Wisconsin decision constituted one of the reasons for the District Court's minority opinion here.

In the Court below, appellants' counsel stated that they were "relying very largely" on the Wisconsin decision (R. 100) and again said they were "making every effort I can to bring our case exactly in line with that, and I think we have done so". (R. 105.) In their jurisdictional statement filed here, they twice expressed their reliance upon that decision. (App. 7, 8.)

Circuit Judge Schmuckenberg, in his opinion in the case at bar, said that no question was raised as to the federal court's jurisdiction in the Wisconsin case; and with reference to appellants' contention that *McDonough v. Lueders*, 389 Ill. 141, was so clear that no further state court decision was necessary, he said:

"In so urging, plaintiffs overlook the plain distinction between the business of the plaintiffs in the McDonough case, and the business in which they (plaintiff herein) intend to engage. That distinction plaintiffs themselves have made and emphasized." (Appellants' Jurisdictional Statement, p. 31a.) (Italics ours.)

In the Wisconsin decision, Judge Lindley said that inasmuch as the plaintiffs there were engaged solely in the business of selling money orders, they were in a position to attack the alleged discrimination in the Wisconsin Statute, and that *Wiedensfelder v. Brundage*, 297 Ill. 228, rather than the *McDonough* case, controlled; that if the plaintiffs there were engaged in the "usual" community currency exchange business, then the result would be different, the *McDonough* case would control, and the statute as to them would not be discriminatory; and ordered the issuance of a permanent injunction until such time as plaintiffs went into the "usual" community currency exchange business.

If, therefore, appellants rely so strongly upon Judge

Lindley's decision as they heretofore proclaimed to do, then it should be a matter for the Illinois Supreme Court to decide whether as applied to them, the *Heddesweiller* decision or the *McDonough* decision should control. Under such circumstances, it would not be in accord with the expressed policy of this Court to indulge in a speculative construction of how the Supreme Court of Illinois would view the law.

In *232 East Chestnut St. Corp. v. Berger*, 3 Ill. (2d) 32, 34, the State Supreme Court only recently again held that where a determination of the issues requires the application of a provision of the Federal Constitution to facts different from those involved in cases where its effect has previously been considered, the case sufficiently involves a construction of the constitution to warrant a direct appeal to that Court.

But, even assuming that the *McDonough* case clearly holds that the Statute does not violate the equal protection clause, even as applied to the money order business, it would not follow that the State Supreme Court has so exhausted its function in the federal-state relationship as to require the Federal Courts to entertain jurisdiction in the case at bar.

The following are additional reasons why appellants should be remitted to the State Courts:

(a) The question whether appellants have come into equity with unclean hands, which appellees interposed as a defense in their answer to the amended complaint, is a matter of local law. (*Ford v. Caspers*, 128 F. (2d) 884, 885, C. A. 7.) Appellants' misconduct affects the people of Illinois, as we shall show under Point II *infra*.

(b) The question whether the severability clause contained in Sec. 30 of the Statute in question would be so applied as to remove the alleged discrimination is a ques-

tion which may be more appropriately left for adjudication to the Illinois Supreme Court. (*Loggitt v. Loggitt*, 288 U. S. 517, 541; *Dorsey v. Kansas*, 264 U. S. 286, 290, 291.) True enough, the Court in *McDonough v. Lander*, 389 Ill. 141, 151, said with reference to the American Express Company and the other exempted companies that "the General Assembly would surely never have passed the act if they had thought the said companies would be made subject to its rules and regulations;" but it was mere *obiter dictum* because the Court decided that the Statute was not discriminatory and therefore had no occasion to determine whether the exemption was severable. That occasion would have arisen only if the Court had held the exemption unconstitutional. The quoted words were, therefore, unnecessary to the decision, and in our view were merely intended to emphasize the substantial differences between the community currency exchanges and exempted companies. There was certainly nothing in the record in that case that would afford a factual basis for the Court's observation. In any event, the quoted language requires clarification, and the Illinois Supreme Court is the proper tribunal for that.

(c) The question whether appellants are actually and factually in the same class as American Express Company, and are comparably situated, is one that should first be passed upon by the State Supreme Court. The Wisconsin decision, *Currency Services, Inc. v. Matthew*, 90 F. Supp. 40, 43, 44, held that the important thing was that American Express Company conducted its money order business in "substantially the same manner" as plaintiffs there proposed to do, and that "its Wisconsin operations are not at all different from those contemplated by plaintiff corporation". Findings 6, 7, and 8, made by the District Court in the case at bar, seem to point up that similarity. Nothing was said in the Wisconsin decision, or even in the findings in the case at bar, relative to plaintiffs' age,



size, history, experience and financial responsibility? Those considerations seemed to have been lost sight of, although the principal purpose of the Statute was to secure the protection of the public against loss from worthless money orders issued by financially irresponsible sellers. What protection the *manner* of doing business would be to the public, was not mentioned. Such matters should more appropriately be left to the State Supreme Court.

But even if the *manner* of conducting the business should properly be considered, the principal test for determining whether appellants and American Express Company are comparably situated, the evidence shows that their manner of doing business was not the same because appellants were selling money orders with the false and fraudulent representations imprinted thereon that they were "licensed" and "bonded", and were accepting payment of bills, in simulation of the community currency exchanges. There is no evidence that the American Express Company was engaged in that practice. Certainly the State Supreme Court ought to be required to pass upon that situation first.

(d) The evidence shows that appellants commenced their business in 1953. American Express Company was organized in 1868, started the sale of money orders in 1882, and was operating in Illinois long before the passage of the Statute. The exemption may certainly be considered as a "grandfather" clause; and *as such* its validity, having never been decided by the State Supreme Court, should be presented to that Court first.

(e) And finally, the appellants' assertion that the State Supreme Court has already passed upon the question presented here, does not mean that the question should not be presented to it again. It does not necessarily follow that if the matter were presented by plaintiffs here, es-

pecially in the light of the Wisconsin opinion, to the Illinois Supreme Court again, it might not change its holding.

That very position was taken in *Achfong v. Dowd*, 117 F. (2d) 989, 995, C. A. 7, concurred in by Judge Lindley. It was there argued that it would be futile to apply to the Indiana Supreme Court for a writ of habeas corpus in view of its previous clear pronouncements adverse to petitioner's contention in the Federal Court. The Court of Appeals held that it did not necessarily follow that the State Supreme Court would not change its holding; that even if that Court refused to change its views, petitioner would be in a position to apply directly to the Federal Supreme Court for redress; and that "this course seems to us to be in the orderly procedure and must be followed, rather than to provoke a controversy between the State court and the Federal court \* \* \* and thus possibly create an intolerable condition \* \* \*".

"A state-wide doom by a federal court of a state's legislative policy" without first permitting the State Supreme Court to pass upon it, would hardly comport with that restraint which this Court has frequently exhorted the lower Federal courts to exercise in cases of this kind. (*Alabama Com. v. Southern Ry. Co.*, 341 U. S. 341, 349; *Great Lakes Dredge & Dock Co. v. Huffman*, 319 U. S. 293, 297-298; *Touzen v. N. Y. Life Ins. Co.*, 314 U. S. 118, 129, 141; *Phillips v. F. S.*, 312 U. S. 246, 250, 251; *Barford v. Sun Oil Co.*, 319 U. S. 315, 332.)

## II

THERE IS NO NECESSITY TO DECIDE THE  
CONSTITUTIONAL ISSUE.

Should the Court decide that the District Court was not justified in declining jurisdiction, we then approach the question whether there is an unavoidable necessity to decide the constitutional issue here.

Only a few weeks ago, the Court in *Neese v. Southern R. Co.*, 350 U. S. 77, 78, in a *per curiam* opinion, said that it is the traditional practice of the Court to refuse to decide constitutional questions when the record discloses other grounds of decision, whether or not such other grounds have been properly raised before the Court by the parties.

In *Rescue Army v. Municipal Court*, 331 U. S. 549, 568, 575, the Court said that it has always followed a policy of strict necessity in disposing of constitutional issues; that "every application has been an instance of reluctance, indeed of refusal, to undertake the most important and the most delicate of the Court's functions, notwithstanding conceded jurisdiction, until necessity compels it in the performance of constitutional duty"; and that the policy is one of substance, basic to the federal system, and this Court's appropriate place within that structure.

There are three issues present here which must be decided before the constitutional question is reached: (a) The defense of nuclear hands, which is pleaded in the appellees' answer, but which a court may raise *sua sponte*; (b) whether appellants, who have availed themselves of some of the benefits of the State Statute in controversy, are not foreclosed from attacking it; and (c) whether appellants and American Express Company are in the same class.



(a). The facts relevant to the defense of nucleon hands have already been adverted to *supra*. Briefly, they show that when the appellants could not secure for Currency Services of Illinois, Inc., a Minnesota corporation, authority to do business in Illinois, they changed the name to Bondified Systems, Inc.; and amended the charter to preclude them from operating under the Statute in question. When they found it illegal to carry on their operations in Illinois under that style, they formed a partnership under a similar name, combined both entities into one, intermingled their assets so that they could not tell them apart, and operated both in Indiana and Illinois. Thus they deliberately evaded the laws of Illinois. Their written agreement enabled them to change their disguises anytime they saw fit.

Their corporate stock subscriptions were diverted to the partnership, and substantial sums were siphoned from the corporation to the partnership, so that while the corporation sold over a million dollars of money orders in Indiana, it had only \$38.10 in the bank.

The partnership owed the corporation at least \$55,000.00, so that their assets were considerably less than their known liabilities, and there was no evidence as to how many unpaid money orders were outstanding. By their agreement, the partners could terminate their business anytime by transferring it to the corporation and receiving stock.

They were practicing a fraud upon the public because of their false representations that they were "licensed" and "bonded", and because of their simulation of currency exchange operations. That wording was reasonably and well calculated to deceive and defraud the people of Illinois into the belief that the issuer was licensed and bonded in accordance with the Statute in question. Had appellants intended to ascribe the meaning to that language

currency exchange without first securing a license to do so from the Auditor.

Any person, firm, association, partnership or corporation issued a license to do so by the Auditor shall have authority to operate a community currency exchange or an ambulatory currency exchange, as defined in Section 1 hereof.

No license shall be issued for the conduct of an ambulatory currency exchange on any public street or highway. An ambulatory currency exchange shall be required to and shall secure a license or licenses for the conduct of its business at each and every location served by it, as provided in Section 4 hereof. No license issued for the conduct of its business at one location shall authorize the conduct of its business at any other location.

Any person, firm, association, partnership or corporation that violates this section shall be fined not less than \$500.00 nor more than \$1000.00 or imprisoned in the county jail for not more than one year, or both, and the Attorney General or the State's Attorney of the county in which the violation occurs shall file a complaint in the Circuit Court of the county to restrain the violation.

Sec. 3. No community or ambulatory currency exchange shall be permitted to accept money or evidences of money as a deposit to be returned to the depositor or upon the depositor's order; and no community or ambulatory currency exchange shall be permitted to act as bailee or agent for persons, firms, partnerships, associations or corporations to hold money or evidences thereof or the proceeds therefrom for the use and benefit of the owners thereof, and deliver such money or proceeds of evidence of money upon request and direction of such owner or owners; provided, that nothing contained herein shall prevent a community or an ambulatory currency exchange from obtaining state automobile and city vehicle licenses for a fee or service

which they testified to, they would have had no difficulty in finding appropriate language in that regard.

In *Metropolitan Theatre Co. v. Chicago*, 246 Ill. 26, 23, the Court defined "license" as a privilege granted by a government.

In buying money orders in Illinois, the public would be vitally interested in knowing that they are buying them from currency exchanges licensed and bonded under the Statute, and operating under State supervision; but it could not possibly interest them to know that the issuer was licensed by Checks, Inc., and had given a small bond to a bank, and had received 2 small fidelity bonds, one of which were performance bonds, and none of which protected buyers against siphoning and juggling operations.

Moreover, the indiscriminate use of the trademark and name "Bondified" by owners of independent organizations located in various States who are not responsible for each other's liabilities and acts, the trademark and name being impressed upon the public through a course of unified advertising, is a continuing misrepresentation to the public of the ownership of the business and the financial responsibility thereof. (*Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488, 494; *Manhattan Medicine Co. v. Wood*, 108 U. S. 218). Such misrepresentation will suffice to deny relief in equity.

Unclean hands need not be of such a nature as to be punishable as a crime, or to justify legal proceedings. Any wilful act which can be said to transgress equitable standards of conduct is sufficient. The doctrine assumes wider and more significant proportions where a suit in equity concerns the public interest, for then it averts injury to the public. (*Provision Co. v. Automobile Co.*, 324 F. S. 896, 814, 815.)

(b) Appellants, by simulating the currency exchange



business, and practicing a fraud upon the public, as aforementioned, have no standing to assert that the Statute under which the effort to cheat or mislead is made, is without constitutional sanction. A court will not pass upon the constitutionality of a statute at the instance of one who has availed himself of its benefits. (*Kay v. U. S.*, 303 U. S. 1, 6; *Rescue Army v. Municipal Court*, 331 U. S. 549, 569; *Ashwander v. Fallen Authority*, 297 U. S. 288, 348 and authorities cited there.)

(c) The question of class must be determined; because unless appellants are comparably situated with American Express Company and in the same class, they cannot claim they have been treated differently. (*National Union of Marine Cooks v. Arnold*, 348 U. S. 37, 41.)

These issues were not decided by the court below.

### III.

**SHOULD THE COURT FIND THAT ITS DECISION ON THE CONSTITUTIONAL ISSUE IS PROPER AND NECESSARY, THEN THE DECISIONS OF THIS COURT LEAVE NO DOUBT OF THE VALIDITY OF THE EXEMPTION IN QUESTION.**

It should be noted at the outset that the amended complaint does not attack the exemption of United States Post Office, Western Union, and Postal Telegraph money orders, but only that of the American Express Company. (R. 16-18.) Even *Currency Services, Inc. v. Matthew*, 90 F. Supp. 49, 43, conceded that the exemption as to the postal department and the telegraph companies was proper inasmuch as they were a body appropriately regulated by national legislation. (See likewise *Federation of Labor v. McAdams*, 325 U. S. 450, 472.)

Does the exemption of American Express Company money orders offend the equal protection clause?

charge, or from rendering a photostat service, or from rendering a notary service either by the proprietor of the currency exchange or any one of its employees, authorized by the State of Illinois to act as a notary public, or from selling travelers cheques obtained by the currency exchange from a banking institution under a trust receipt, or from issuing money orders or from accepting for payment local utility bills; provided, further, that in accepting any such payment the community or ambulatory currency exchange shall not be deemed to act as agent for the local utility, nor shall such community or ambulatory currency exchange be authorized to receipt for such payment in the name, or on behalf, of such utility.

Sec. 3.1. Nothing in this Act shall prevent a currency exchange from rendering State or Federal income tax service; nor shall the rendering of such service be considered a violation of this Act if such service be rendered either by the proprietor or any of his employees.

Sec. 4. Application for such license shall be in writing under oath and in the form prescribed and furnished by the Auditor. Each application shall contain the following:

(a) The full name and address (both of residence and place of business) of the applicant; and if the applicant is a partnership or association, of every member thereof; and the name and business address if the applicant is a corporation;

(b) The county and municipality, with street and number, if any, where the community currency exchange is to be conducted, if the application is for a community currency exchange license;

(c) If the application is for an ambulatory currency exchange license, the names and addresses of the plants or businesses at the location or locations to be served by it; and

(d) The applicant's occupation or profession; a detailed statement of his business experience for the ten years immediately preceding his application; a detailed statement of his finances; his present or previous connection with any other currency exchange; whether he has ever been involved in any civil or criminal litigation, and the material facts pertaining thereto; whether he has ever been committed to any penal institution or admitted to an institution for the care and treatment of mentally ill persons; and the nature of applicant's occupancy of the premises to be licensed where the application is for a community currency exchange license. If the applicant is a partnership, the information specified herein shall be required of each partner. If the applicant is a corporation, the said information shall be required of each officer and director thereof.

Such application shall be accompanied by a fee of \$25.00 which fee shall be for the cost of investigating the applicant. When the application for a community currency exchange license has been approved by the Auditor and the applicant so advised, an additional sum of \$50.00, as an annual license fee for a period terminating on the last day of the current calendar year shall be paid to the Auditor by the applicant; provided, that the license fee for an applicant applying for such a license after July 1st of any year shall be \$25.00 for the balance of such year.

When the application for an ambulatory currency exchange license has been approved by the Auditor; and such applicant so advised, such applicant shall pay an annual license fee of \$10.00 for each and every location to be served by such applicant; provided that such license fee for an approved applicant applying for such a license after July 1st of any year shall be \$5.00 for the balance of such year for each and every location to be served by such applicant. An approved applicant shall not be required to pay the initial investigation fee of \$25.00 more than once. Such an



The constitution does not require situations which are different in fact or opinion to be treated in law as though they were the same. (*Goesaert v. Cleary*, 325 U. S. 464, 466.) The court is bound to assume the existence of any state of facts which will sustain the Statute. (*State Federation of Labor v. McAdamy*, 325 U. S. 440, 465.) There is no doctrinaire requirement that legislation should be couched in all-embracing terms. (*Davidson v. New Orleans*, 96 U. S. 97, 106; *West Coast Hotel Co. v. Parrish*, 300 U. S. 379, 400.)

The legislature is free to recognize degrees of harm and it may confine its restrictions to those classes where the need is deemed to be the clearest. (*West Coast Hotel Co. v. Parrish*, 300 U. S. 379, 400.) The State may do what it can to prevent what is deemed an evil, and stop short of those cases in which the harm to the few concerned is thought less important than the harm to the public that would ensue if the rules laid down were made mathematically exact. (*Dominion Hotel Co. v. Arizona*, 249 U. S. 265, 268.)

It is no requirement of equal protection that all evils of the same genus be eradicated or none at all. It is by practical considerations based on experience rather than by theoretical inconsistencies that the question of equal protection is to be answered. (*Railway Express v. N. Y.*, 336 U. S. 106, 110.)

The Fourteenth Amendment is not a pedagogical requirement of the impractical. The equal protection clause does not mean that all occupations that are called by the same name, must be treated in the same way. The power of the State may be determined by degrees of evil, or exercised in cases where the detriment is specially experienced. (*Dominion Hotel v. Arizona*, 249 U. S. 265, 268.)

If a class is deemed to present a conspicuous example

approved applicant, when applying for a license with respect to a particular location, shall file with the Auditor, at the time of filing an application, a letter or memorandum, which shall be in writing and under oath, signed by the owner or authorized representative of the place of business where service is to be rendered; such letter or memorandum shall contain a statement that such service is desired, and that the person signing the same is authorized so to do.

Sec. 4.1. Upon receipt of an application for a license for a community currency exchange, the Auditor shall investigate the need of the community for the establishment of a community currency exchange at the location specified in the application.

"Community", as used in this Act, means a locality where there may or can be available to the people thereof the services of a community currency exchange, reasonably accessible to them. If the issuance of a license to engage in the community currency exchange business at the location specified, will not promote the convenience and advantage of the community in which the business of the applicant is proposed to be conducted, then the application shall be denied.

Sec. 4.2. Whensoever the ownership of any currency exchange, theretofore licensed under the provisions of this Act, shall be held or contained in any estate subject to the control and supervision of any Administrator, Executor, Guardian or Conservator appointed, approved or qualified by any Court of the State of Illinois having jurisdiction so to do, such Administrator, Executor, Guardian or Conservator, may, upon the entry of an order by such Court granting leave to continue the operation of such currency exchange, apply to the Auditor of Public Accounts for a license under the provisions of this Act. When any such Administrator, Executor, Guardian, or Conservator shall apply for a currency exchange license pursuant to the pro-

of what the legislature seeks to prevent, the 14th Amendment allows it to be dealt with, although otherwise and merely logically not distinguishable from others not embraced in the law. (*Hall v. Gieger-Jones Co.*, 242 U. S. 539, 557.)

Absolute symmetry is not required. (*Patsone v. Pa.*, 232 U. S. 138, 144.) The rule of equality permits many practical inequalities. (*New York, etc. Corp. v. New York*, 303 U. S. 573, 578.)

In *Williamson v. Lee Optical of Okla.*, 348 U. S. 483, 488, 489, this court had occasion to pass upon the constitutionality of an Oklahoma Statute dealing with the regulation of visual care. Among other things, the legislation permitted the sale of ready-to-wear glasses by retail merchandise stores, but prohibited such stores from subleasing space to, or permitting any person purported to do eye examinations, to occupy space in them. The court in upholding the constitutionality of the Act, made some important observations which we quote:

"But the law need not be in every respect logically consistent with its aims to be constitutional. It is enough that there is an evil at hand for correction, and that it might be thought that the particular legislative measure was a rational way to correct it.

"The day is gone when this court uses the Due Process Clause of the Fourteenth Amendment to strike down state laws, regulatory of business and industrial conditions, because they may be unwise, improvident, or out of harmony with a particular school of thought.

"The problem of legislative classification is a perennial one, admitting of no doctrinaire definition. Evils in the same field may be of different dimensions and proportions, requiring different remedies. Or so the legislature may think. \* \* \* Or the reform may take one step at a time, addressing itself to the phase of the problem which seems most acute to the legislative



mind. The legislature may select one phase of one field, and apply a remedy there, neglecting the others.

The prohibition of the Equal Protection Clause goes no further than the invidious discrimination.

For all this record shows, the ready-to-wear branch of this business may not loom large in Oklahoma, or may present problems of regulation distinct from the other branch."

In the case at bar, the financial responsibility of American Express Company has stood the test of time. It has outlived many depressions. It has never defaulted in the payment of its obligations. (R. 363.) It is a worldwide institution of vast ramifications and proportions, and there is no other like it. It is subject to government surveillance.

Certainly the legislature of Illinois had the right to believe that the evil sought to be curbed, namely, the sale of money orders by financially irresponsible persons, did not exist in the case of that great enterprise as it did in the case of the local operators, who, like appellants here, often operated on a shoestring, and that the public interest would be no more advanced by bringing it under the Statute than it would by bringing banks and telegraph companies under it.

In *Engle v. O'Halley*, 219 U. S. 128, a New York statute prohibited persons to engage in the business of receiving money deposits for safekeeping or transmission, or any other purpose, without a license from the comptroller. The license requirements were that the applicant deposit \$10,000 with the comptroller, and file a bond of from \$10,000 to \$50,000. The annual license fee was \$50. Sec. 29 d. of the statute exempted any express or telegraph company receiving money for transmission, and any persons where the average amount of each sum received on deposit or for transmission shall have been not less than \$500 during the preceding year.

In holding the exemption valid, the court in an opinion by Mr. Justice Holmes said, pp. 137, 138:

"Legislation which regulates business may well make distinctions depending upon the degree of evil. It is true, no doubt, that where size is not an index to an admitted evil, the law cannot discriminate between the great and the small. But in this case, size is an index."

Appellants urged with great emphasis in the District Court that the specific exemption of American Express Company, rather than of a class, vitiated the exemption, but they cited no decision of this court to support that view.

This court has held that individual exemptions, where a reasonable basis therefor existed, are not violative of the Equal Protection Clause.

A case in point is *Williams v. Baltimore*, 289 U. S. 36.

There Maryland passed a statute exempting the Washington, Baltimore and Annapolis Electric Railroad Company from the payment of all taxes for 2 years. The company was then in the hands of a Federal Court receiver. The road supplied the only rail service to the state capital, and the legislature found it to be in the public interest to keep the service going. Annapolis and Baltimore filed with the receiver claims for taxes and challenged the Act as discriminatory.

The District Court upheld the exemption, but the Court of Appeals, C. A. 4, reversed (61 F. (2d) 374). Judge Parker said that it was not an attempt at classification, but an arbitrary individual exemption.

This court, in a unanimous opinion delivered by Mr. Justice Cardozo, reversed the Court of Appeals, and said, p. 42:

"The public policy that made it wise in the judg-

In the event a receiver is appointed in accordance with Section 15.1 of this Act, and the Auditor determines that the business of the currency exchange should be liquidated, and if it shall appear that the said minimum sum was not on hand or available at the time of the appointment of the receiver, then the receiver shall have the right to recover in any court of competent jurisdiction from the owner or owners of such currency exchange, or from the stockholders and directors thereof if such currency exchange was operated by a corporation, said sum or that part thereof which was not on hand or available at the time of the appointment of such receiver. Nothing contained in this section shall limit or impair the liability of any bonding or insurance company on any bond or insurance policy relating to such community currency exchange issued pursuant to the requirements of this Act, nor shall anything contained herein limit or impair such other rights or remedies as the receiver may otherwise have at law or in equity.

Sec. 8. A community or an ambulatory currency exchange shall not be conducted as a department of another business. It must be an entity, financed and conducted as a separate business unit. This shall not prevent a community or an ambulatory currency exchange from leasing a part of the premises of another business for the conduct of this business on the same premises; provided, that no community currency exchange shall be conducted on the same premises with a business whose chief source of revenue is derived from the sale of alcoholic liquor for consumption on the premises; provided, further, that no community currency exchange hereafter licensed for the first time shall share any room with any other business, trade or profession nor shall it occupy any room from which there is direct access to a room occupied by any other business, trade or profession.

Sec. 9. No community or ambulatory currency ex-



ment of the legislature to help this particular railroad and keep its business going, may have failed altogether in respect of any other railroad, solvent or insolvent."

And at p. 46:

"The constitution does not prohibit special laws inflexibly and always. It permits them when there are special evils with which existing general laws are incompetent to cope. \* \* \* The problem in the last analysis is one of legislative policy, with a wide margin of discretion conceded to the lawmakers. Only in cases of plain abuse will there be revision by the courts."

Should it be contended that the exemption in the case at bar is not a two year exemption, our answer is that the distinction is irrelevant. No exemption, not even that in this case, is irrevocable. Should the legislature find that conditions have changed so that the exemption is no longer justified, it could revoke it; and likewise the courts could invalidate the exemption if the facts upholding it have changed. (*Chastleton Corp. v. Sinclair*, 264 U. S. 543, 547, 548.)

2 Nor is it tenable to indulge in speculation or doubt as to the "future financial responsibility" of American Express Company, as did the Wisconsin decision, 90 F. Supp. 40, 43, 44. This court in *Queenside Hills Co. v. Sack*, 328 U. S. 80, 84, held that such speculation was not permissible, and said:

"The legislature is entitled to hit the evil that exists. \* \* \* It need not take account of new and hypothetical inequalities that may come into existence as time passes or as conditions change."

Cases where the court upheld individual exemptions in State legislation, without limitation of time are: *Erb v. Morasch*, 177 U. S. 584; *Toyota v. Hawaii*, 226 U. S. 184; *New York v. Zimmerman*, 278 U. S. 63; *Salsburg v. State*

of *Maryland*, 346 U. S. 545; and see Mr. Justice Holmes' opinion in *Interstate Consol. Street Ry. Co. v. Mass.*, 207 U. S. 79, 85.

Appellants also contended in the District Court that it was difficult or impossible to sue or serve American Express Company in the State or Federal Courts. They are mistaken. Prior to the revised Civil Practice Act that went into effect in Illinois January 1, 1956, American Express Company could be sued and served as a *de facto* corporation in the Illinois Courts (*Dugan v. Int. Assn.*, 202 Ill. App. 308, 309; *Sprains v. Draughts*, 232 Ill. App. 427, 429; and numerous cases cited there; *Fitzpatrick v. Rutter*, 160 Ill. 282, 286).

Since January 1, 1956, Secs. 13.4 and 27.1 of the revised Illinois Civil Practice Act expressly provide for service and suit against a partnership in its firm name. (Vol. 2—Ill. Rev. Stat. 1955, Chap. 110, par. 13.4 and 27.1.)

So far as the Federal Courts are concerned, Federal Rules of Civil Procedure 4 (d) (3) and 4 (d) (7) apply. (*Wilson & Co. v. W. P. W. of A.*, 83 F. Supp. 162, 166, 167, S. D. N. Y.; *Busby v. Electric Union*, 147 F. (2d) 865, 867 (App. D. C.); *Operatives Plasterers Assn. v. East*, 93 F. (2d) 56, 65-68, App. D. C.)

Although appellants have not referred to the Wisconsin decision in their brief, we should like to comment further on that decision, from which no appeal was taken.

All the historical background that led to the enactment of the Currency Exchange legislation, existed in Illinois, and not in Wisconsin. The Wisconsin legislature merely copied the 1943 Illinois Statute. In that setting, the Wisconsin Federal Court decided the *Currency Services* case, and although it improperly exerted jurisdiction, it construed the Statute.

The numerous amendments to the Illinois Statute since

its passage are listed in the State Auditor's Report (Def.'s Ex. 7, R. 96, 289, 305-309); but they were not enacted in Wisconsin.

Where different interpretations are given in different states to a similar local statute, or even to a uniform state statute, that law in effect becomes a different law in one State from what it is in the other. (*Chicago Union Bank v. Kans. City Bank*, 136 U. S. 223, 235; *Maring Bank v. Kalt-Zimmers Co.*, 293 U. S. 357, 366.)

The only thing that seemed to count in the Wisconsin decision was that American Express Company conducted its money order business in substantially the same manner as plaintiffs there, and that because they were in direct competition with each other, the *Wedesweiler* case, 297 Ill. 237, 238, rather than the *McDougal* case, 389 Ill. 141, 150, applied. It is difficult to understand why American Express Company was not also in direct competition with the handful of currency exchanges there.

This Court in *Union Bank & Trust Co. v. Phelps*, 288 U. S. 181, 186, expressly held that mere competition was not enough to show that two concerns must be burdened alike by State legislation taxing the shares of one of them and not the other.

The mere *manner* of doing business was wholly irrelevant to the achievement of the Statute's objectives. It was the protection of the public against loss from worthless money orders that was sought; and that object the Wisconsin decision did not even advert to, nor did it even mention the plaintiffs' financial responsibility.

Even the *Wedesweiler* case, which had nothing to do with the Currency Exchange Statute, as well as the *McDougal* case, agreed that if the exemption had reference to financial responsibility, or any other thing having any relation to the protection of the public, it would not constitute an arbitrary classification.



dress at which the business is to be conducted. Such license shall be kept conspicuously posted in the place of business of the licensee and shall not be transferable or assignable. If issued for an ambulatory currency exchange, it shall so state, and shall state the name and office address of the licensee, and the name and address of the location or locations to be served by the licensee, and shall not be transferable and assignable.

Sec. 12. If the Auditor shall find at any time that the bond is insecure or exhausted or otherwise doubtful, an additional bond in like amount to be approved by the Auditor shall be filed by the licensee within thirty (30) days after written demand therefor upon the licensee by the Auditor.

Sec. 13. No more than one place of business shall be maintained under the same license, but the Auditor may issue more than one license to the same licensee upon compliance with the provisions of this Act governing an original issuance of a license, for each new license.

Whenever a licensee shall wish to change the name or place of business as originally set forth in his license, he shall give written notice thereof to the Auditor and if the change is approved by the Auditor he shall attach to the license, in writing, a rider stating the new name or the new address or location of the community currency exchange.

Every application for a change of location of a community currency exchange shall be treated by the Auditor with respect to the approval or disapproval of the proposed location, in the same manner as is otherwise provided in this Act for the treatment of proposed locations as contained in original applications for community currency exchange licenses; and if any fact or condition then exists with respect to the application for change of location, which fact or condition would otherwise authorize denial of an original application for a community currency exchange

The Community Currency Exchanges in Illinois do not seem to have found the statutory charges too burdensome, nor do they seem too concerned over any monopoly of the money order business by American Express Company. If appellants consider the charges too burdensome (a point which is immaterial, *Gaut v. Oklahoma City*, 289 U. S. 98, 103; *Standard Oil Co. v. Margsville*, 279 U. S. 582, 586; *Eric R. Co. v. Williams*, 233 U. S. 685, 700), the difficulty, if any, will be due to their own failure to enjoy the benefits conferred by the Statute as freely as they may, by limiting their business to the performance of only one of the services authorized by the Statute.

"One who receives a privilege without limit is not wronged by his own refusal to enjoy it as freely as he may." (*Acra-Magflower Transit Co. v. Georgia*, 295 U. S. 285, 289.)

The Wisconsin decision indicates that the *McDougall* case placed "undue emphasis on the use of the word community" (p. 44); but in the light of the later Illinois decisions and amendments, that observation, it seems to us, cannot be maintained.

In view of the decisions of this Court cited *supra*, none of which were alluded to in the Wisconsin decision, and of the later Illinois decisions and amendments, we cannot avoid the conclusion that the Wisconsin decision, rendered in an inexperienced environment with a public policy less pronounced than that of Illinois, which fathered the Statute, should not be considered applicable to the case at bar.

From the foregoing authorities, it would seem evident that the contention that a State Statute contravenes the equal protection clause, has met with little favor at the hands of this Court.

Mr. Justice Holmes called the Equal Protection Clause the "usual last refuge of constitutional arguments."

(*Buck v. Bell*, 274 U. S. 200, 208.) In *Railway Express v. N. Y.*, 336 U. S. 106, Mr. Justice Jackson said: "While claims of denial of equal protection are frequently asserted, they are rarely sustained." And in the Constitution of the United States of America, Analysis and Interpretation, prepared by the Legislative Reference Bureau, Library of Congress, 1953 it is stated, p. 1153:

"When State action is attacked under the due process clause, the assailant usually charges also that he is denied the equal protection of the laws. Except where discrimination on the basis of race or nationality is shown, few police regulations have been found unconstitutional on that ground."

### CONCLUSION.

For the reasons stated, it is respectfully submitted (a) that the decree appealed from should be affirmed; (b) that if it should be decided that the District Court had or should have exercised jurisdiction, then the cause should be remanded with directions to pass upon the other issues presented; and (c) that if it should be held that the constitutional question is ready for decision, then the Court may by its judgment declare that the exemption of the American Express Company is not violative of the Equal Protection Clause, or if it is, that the exemption is severable in accordance with Sec. 30 of the Statute in question.

Respectfully submitted,

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license because of the proposed location, then such application for change of location shall not be approved.

Sec. 13.1. Whenever two or more licensees shall desire to consolidate their places of business, they shall make application for such consolidation to the Auditor upon a form provided by him. This application shall state: (a) the name to be adopted and the location at which the business shall be located, which name and location shall be the same as one of the consolidating licensees; (b) that the owners, or all partners, or all stockholders, as the case may be, of the licensees involved in the contemplated consolidation, have approved the application; (c) a certification by the secretary, if any of the licensees be corporations, that the contemplated consolidation has been approved by all of the stockholders at a properly convened stockholders meeting; (d) other relevant information the Auditor may require. Simultaneously with the approval of the application by the Auditor, the licensee or licensees who will cease doing business shall: (a) surrender their license or licenses to the Auditor; (b) transfer all of their assets and liabilities to the licensee continuing to operate by virtue of the application; (c) apply to the Secretary of State, if they be corporations, for surrender of their corporate charter in accordance with the provisions of "The Business Corporation Act", filed July 13, 1933, as amended.

An application for consolidation shall be approved or rejected by the Auditor within 30 days after receipt by him of such application and supporting documents required thereunder.

Such consolidation shall not affect suits pending in which the surrendering licensees are parties; nor shall such consolidation affect causes of action nor the rights of persons in particular; nor shall suits brought against such licensees in their former names be abated for that cause.

Nothing contained herein shall limit or prohibit any ac-

## APPENDIX I.

### Currency Exchange Law.

"AN Act in relation to the definition, licensing and regulation of community currency exchanges and ambulatory currency exchanges, and the operators and employees thereof, and to make an appropriation therefor, and to provide penalties and remedies for the violation thereof." (Approved June 30, 1943, in force October 1, 1943; as amended.)

*Be it enacted by the People of the State of Illinois, represented in the General Assembly:*

Section 301. The General Assembly has found and declares: that the community currency exchange business, as hereinafter defined in Section 1, has become so widespread since the bank holiday in 1933, and so extensively and intimately integrated with the financial institutions of this State that it is affected with a public interest and should be licensed and regulated as a business affecting the convenience, general welfare, and economic interest of the people of this State;

that no community currency exchange should be operated without a license, or otherwise than in accordance with the regulations provided in, or to be provided pursuant to this Act;

that the number of community currency exchanges should be limited in accordance with the needs of the communities they are to serve, and in accordance with the provisions of this Act;

that there has arisen also the ambulatory currency exchange business, as hereinafter defined in Section 1, which

has engaged heretofore in unlicensed competition with the licensed community currency exchange business;

that it is in the public interest to promote and foster the community currency exchange business and to assure the financial stability thereof;

that the operations of the ambulatory currency exchange business have enabled it to appropriate the most profitable function of the community currency exchange business without incurring the expenses of, or subjecting itself to the regulations imposed upon the community currency exchange business, and to secure thereby an unfair advantage; that there has resulted therefrom an unfair and ruinous competition to the licensed community currency exchange business;

that the nature of the ambulatory currency exchange business is such as to render it hazardous and dangerous to the public safety and security;

that the public welfare demands that no ambulatory currency exchange business should be operated without a license, or otherwise than in accordance with the regulations provided in, or to be provided pursuant to this Act.

Section 1. For the purposes of this Act: "Community currency exchange" means any person, firm, association, partnership or corporation, except banks incorporated under the laws of this State and National Banks organized pursuant to the laws of the United States, engaged at a fixed and permanent place of business, in the business or service of, and providing facilities for, cashing checks, drafts, money orders or any other evidences of money acceptable to such community currency exchange, for a fee or service charge or other consideration, or engaged in the business of selling or issuing money orders under his or their or its name or any other money orders (other than United States Post Office money orders, American Express



Company money orders, Postal Telegraph Company money orders, or Western Union Telegraph Company money orders, or engaged in both such businesses, or engaged in performing any one or more of the foregoing services.

"Ambulatory Currency Exchange" means any person, firm, association, partnership or corporation, except banks organized under the laws of this State and National Banks organized pursuant to the laws of the United States, engaged in one or both of the foregoing businesses, or engaged in performing any one or more of the foregoing services, at any location other than that of a fixed and permanent place of business of his, their or its own.

"Auditor" means the Auditor of Public Accounts.

Nothing in this Act shall be held to apply to any person, firm, association, partnership, or corporation who is engaged primarily in the business of transporting for hire, bullion, currency, securities, negotiable or non-negotiable documents, jewels or other property of great monetary value and who in the course of such business and only as an incident thereto, cashes checks, drafts, money orders or other evidences of money directly for, or for the employees of and with the funds of and at a cost only to, the person, firm, association, partnership or corporation for whom he or it is then actually transporting such bullion, currency, securities, negotiable or non-negotiable documents, jewels, or other property of great monetary value, pursuant to a written contract for such transportation and all incidents thereof, nor shall it apply to any person, firm, association, partnership or corporation engaged in the business of selling tangible personal property at retail who, in the course of such business and only as an incident thereof, cashes checks, drafts, money orders or other evidences of money.

Sec. 2. No person, firm, association, partnership or corporation shall engage in the business of a community currency exchange or in the business of an ambulatory cur-

visions of this Section, and shall otherwise fully comply with all of the provisions of this Act relating to the application for a currency exchange license, the Auditor may issue to such applicant a currency exchange license. Any currency exchange license theretofore issued to a currency exchange, for which an application for a license shall be sought under the provisions of this Section, if not previously surrendered, lapsed, or revoked, shall be surrendered, revoked or otherwise terminated before a license shall be issued pursuant to application made therefor under this Section.

Sec. 5. Before any license shall be issued to a community currency exchange the applicant shall file annually with and have approved by the Auditor a surety bond, issued by a bonding company or insurance company authorized to do business in this State in the principal sum of \$3,000.00. Such bond shall run to the Auditor and shall be for the benefit of any creditors of such currency exchange for any liability incurred by the currency exchange on any money orders issued or sold by the currency exchange and for any liability incurred by the currency exchange for any sum or sums due to any payee or endorsee of any check, draft or money order left with the currency exchange for collection, and for any liability incurred by the currency exchange in connection with the rendering of any of the services referred to in Section 3 of this Act.

If after the expiration of one year from the issuance of the license the Auditor shall determine that the average amount of such liability during said year has exceeded the sum of \$4,000.00 and has been less than \$5,000.00, the Auditor shall require the licensee to furnish a bond for the ensuing year to be approved by the Auditor in the principal sum of \$4,000.00. If such average amount is in excess of \$5,000.00 the bond shall be for an additional principal sum of \$1,000.00 for each \$1,000.00 or fraction thereof in excess

of the original \$5,000.00; however, the maximum amount of such bond shall not exceed the principal sum of \$25,000.00.

Sec. 6. Every applicant for a license hereunder shall, after his application for a license has been approved, file with and have approved by the Auditor, a policy or policies of insurance issued by an insurance company or indemnity company authorized to do business under the laws of this State, which shall insure the applicant against loss by burglary, larceny, robbery, forgery or embezzlement in a principal sum as hereinafter provided; if the average amount of cash and liquid funds to be kept on hand in the office of the community currency exchange during the year will not be in excess of \$2,500 the policy or policies shall be in the principal sum of \$2,500. If such average amount will be in excess of \$2,500, the policy or policies shall be for an additional principal sum of \$500 for each \$1,000 or fraction thereof of such excess over the original \$2,500, provided that the maximum amount of such insurance shall in no event exceed the principal sum of \$35,000.00. From time to time the Auditor may determine the amount of cash and liquid funds on hand in the office of any community currency exchange and shall require the licensee to submit additional policies if the same are determined to be necessary in accordance with the requirements of this section.

Any such policy or policies, with respect to forgery, may carry a condition that the community currency exchange assumes the first \$50 of each claim thereunder.

Sec. 7. Each community currency exchange shall have, at all times, a minimum sum of \$3,000 of its own cash funds available for the uses and purposes of its business and said minimum sum shall be exclusive of and in addition to funds received for exchange or transfer; and in addition thereto each such licensee shall at all times have on hand an amount of liquid funds sufficient to pay on demand all outstanding money orders issued by it.



change shall issue tokens to be used in lieu of money for the purchase of goods or services from any enterprise.

Sec. 10. The applicant, and its officers and directors, if a corporation, shall be vouched for by two reputable citizens of this State setting forth that the individual mentioned is: (a) personally known to them to be trustworthy and reputable, (b) that he has business experience qualifying him to competently conduct, operate, own or become associated with a currency exchange, (c) that he has a good business reputation and is worthy of a license. Thereafter, the Auditor shall, upon approval of the application filed with him, issue to the applicant qualifying under this Act, a license to operate a currency exchange. If it is a license for a community currency exchange, the same shall be valid only at the place of business specified in the application. If it is a license for an ambulatory currency exchange, it shall entitle the applicant to operate only at the location or locations specified in the application, provided the applicant shall secure separate and additional licenses for each of such locations. Such licenses shall remain in full force and effect, until they are surrendered by the licensee, or revoked, or expire, as herein provided. If the Auditor shall not so approve, he shall not issue such license or licenses and shall notify the applicant of such denial, retaining the \$25.00 investigation fee to cover the cost of investigating the applicant. The Auditor shall approve or deny every application hereunder within ninety days from the filing thereof; except that in respect to an application by an approved ambulatory currency exchange for a license with regard to a particular location to be served by it, the same shall be approved or denied within twenty days from the filing thereof.

No application shall be denied unless the applicant has had notice of a hearing on said application and an opportunity to be heard thereon. If the application is denied, the

Auditor shall, within twenty days thereafter prepare and keep on file in his office a written order of denial thereof, which shall contain his findings with respect thereto and the reasons supporting the denial, and shall send by United States mail a copy thereof to the applicant at the address set forth in the application, within five days after the filing of such order. A review of any such decision may be had as provided in Section 22.01 of this Act.

Sec. 10.1. For the purposes of this Act, the Auditor, and the hearing officer, as hereinafter provided, shall have power to require by subpoena the attendance and testimony of witnesses, and the production of all documentary evidence relating to any matter under hearing pursuant to this Act; and shall issue such subpoenas at the request of any interested party. The hearing officer may sign subpoenas in the name of the Auditor.

The Auditor may, in his discretion, direct that any hearing pursuant to this Act, shall be held before a competent and qualified agent of the Auditor, whom the Auditor shall designate as the hearing officer in such matter. The Auditor, and the hearing officer, are hereby empowered to, and shall, administer oaths and affirmations to all witnesses appearing before them. The hearing officer, upon the conclusion of the hearing before him, shall certify the evidence to the Auditor.

Any Circuit Court of this State, within the jurisdiction of which such hearing is carried on, may, in case of contumacy, or refusal of a witness to obey a subpoena, issue an order requiring such witness to appear before the Auditor, or the hearing officer, or to produce documentary evidence, or to give testimony touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

Sec. 11. Such license, if issued for a community currency exchange, shall state the name of the licensee and the ad-

Sec. 23. If any licensee, or agent or employee of a licensee, fraudulently takes and secretes any money, note, bill, bond or other property belonging to another and in the possession and custody of such licensee as agent or otherwise, he shall be guilty of larceny and punished accordingly.

Sec. 24. Any person, firm, association, partnership or corporation who or which shall violate any provision of this Act for which no other penalty is herein prescribed shall, upon conviction, be fined not less than fifty dollars (\$50.00) nor more than five hundred dollars (\$500.00), and each violation shall constitute a separate offense.

Sec. 25. Any community currency exchange in existence upon the date of the passage of this Act shall be approved by the Auditor as to location, if all other requirements set forth in this Act shall have been complied with.

Sec. 26. The sum of one hundred thousand dollars (\$100,000.00), or so much thereof as may be necessary, is appropriated to the Auditor of Public Accounts for the purpose of administering the provisions of this Act.

Sec. 27. Nothing contained in this Act shall be construed so as to limit the power of municipalities to license and tax community currency exchanges, and to regulate their location and operation in a manner not inconsistent with this Act.

Sec. 28. Unless an ambulatory currency exchange shall engage in the business of selling or issuing money orders under his, their or its name, or any money orders other than those excepted in Section 1 of this Act, Sections 5, 6 and 7 of this Act shall not be applicable to it. Otherwise, said sections shall apply to it, if it shall engage in such business.

Sec. 29. The operation of any unlicensed community or ambulatory currency exchange, or the unlawful conduct or operation of any licensed community or ambulatory cur-



tion or remedy available to a licensee or to the Auditor under Sections 15, 15.1 or 15.2 of this Act.

Sec. 14. Every licensee shall, on or before November 15, pay to the Auditor the annual license fee or fees for the next succeeding calendar year and shall at the same time file with the Auditor the annual report required by Section 16 of this Act, and the annual bond or bonds, and the insurance policy or policies as and if required by this Act. The annual license fee for each community currency exchange shall be \$50.00. The annual license fee for each location served by an ambulatory currency exchange shall be \$10.00.

Sec. 15. The Auditor may, upon ten (10) days notice to the licensee by United States mail directed to the licensee at the address set forth in the license, stating the contemplated action and in general the grounds therefor, and upon reasonable opportunity to be heard prior to such action, revoke any license issued hereunder if he shall find that:

(a) The licensee has failed to pay the annual license fee or to maintain in effect the required bond or bonds or insurance policy or policies or to comply with any order, decision, or finding of the Auditor made pursuant to this Act; or that

(b) The licensee has violated any provision of this Act or any regulation or direction made by the Auditor under this Act; or that

(c) Any fact or condition exists which, if it had existed at the time of the original application for such license, would have warranted the Auditor in refusing the issuance of the license; or that

(d) The licensee has not operated the currency exchange licensed, for a period of sixty consecutive days, unless the licensee was prevented from operating during such period by reason of events or acts beyond the licensee's control.

The Auditor may revoke only the particular license or licenses for particular places of business or locations with respect to which grounds for revocation may occur or exist, or if he shall find that such grounds for revocation are of general application to all places of business or locations, or to more than one place of business or location operated by such licensee, he may revoke all of the licenses issued to such licensee or such number of licenses to which such grounds apply, as the case may be.

A licensee may surrender any license by delivering to the Auditor written notice that he, they or it thereby surrenders such license; but such surrender shall not affect such licensee's civil or criminal liability for acts committed prior to such surrender, or affect the liability on his, their or its bond or bonds, or his, their or its policy or policies of insurance, required by this Act, or entitle such licensee to a return of any part of the annual license fee or fees.

Every license issued hereunder shall remain in force until the same shall expire, or shall have been surrendered or revoked in accordance with this Act, but the Auditor may on his own motion, issue new licenses to a licensee whose license or licenses shall have been revoked if no fact or condition then exists which clearly would have warranted the Auditor in refusing originally the issuance of such license under this Act.

No license shall be revoked until the licensee has had notice of a hearing thereon and an opportunity to be heard. When any license is so revoked, the Auditor shall within twenty (20) days thereafter, prepare and keep on file in his office, a written order or decision of revocation which shall contain his findings with respect thereto and the reasons supporting the revocation and shall send by United States mail a copy thereof to the licensee at the address set forth in the license within five (5) days after the filing in his office of such order, finding or decision. A review of any such

order, finding or decision may be had as provided in Section 22.01 of this Act.

Sec. 15.1. If the Auditor determines that any licensee is insolvent or is violating this Act, he shall appoint a receiver, who shall, under his direction, for the purpose of the receivership, take possession of and title to the books, records and assets of every description of said community currency exchange. The Auditor shall require of the receiver such security as he deems proper and, upon appointment of the receiver, shall have published, once each week for four consecutive weeks in a newspaper having a general circulation in the community, a notice calling on all persons who have claims against the community currency exchange to present them to the receiver.

Within ten days after the receiver takes possession of the property, the licensee may apply to the Circuit Court of Sangamon County to enjoin further proceedings in the premises.

The receiver may operate the community currency exchange until the Auditor determines that possession should be restored to the licensee or that the business should be liquidated. If the Auditor determines that the business should be liquidated he shall direct the Attorney General to file a bill in the Circuit Court of the county in which such community currency exchange is located, in the name of the People of the State of Illinois, for the orderly liquidation and dissolution of the community currency exchange and for an injunction restraining the licensee or the officers and directors thereof from continuing the operation of said community currency exchange.

The receiver shall, thirty days from the day the Auditor determines that the business should be liquidated, file with the Auditor and with the clerk of such court as may have charge of the liquidation, a correct list of all creditors who have not presented their claims. The list shall show the



amount of the claim after allowing all just credits, deductions and set-offs as shown by the books of the currency exchange. These claims shall be deemed proven unless objections are filed by some interested party within the time fixed by the Auditor or court that has charge of the liquidation.

The Auditor may make a ratable dividend of the moneys collected by the receiver on all claims that have been proved to his satisfaction or adjudicated in a court of competent jurisdiction whenever moneys are available for distribution.

All unclaimed dividends shall be deposited with the Auditor to be paid out by him when proper claims therefor are presented to the Auditor, and the Auditor shall pay the same out of such sums or funds so deposited with him. After one year from the final dissolution of the currency exchange, the Auditor shall make a pro-rata distribution thereof to those claimants who have accepted dividends until such claim or claims are paid in full, and if any of said monies shall then remain in his hands, the Auditor shall distribute same pro-rata to the owner, owners or stockholders of the currency exchange. The Auditor shall deduct, from the funds so deposited with him, the expenses of distributing same.

Upon the order of a court of competent jurisdiction of the county wherein the community currency exchange is located, the receiver may sell or compound any bad or doubtful debt, and on like order may sell the personal property of the community currency exchange on such terms as the court approves. The receiver shall succeed to whatever rights or remedies the unsecured creditors of the currency exchange may have against the owner or owners, operators, stockholders, directors, or officers thereof, arising out of their claims against the currency exchange; provided, however, that nothing herein contained shall prevent such creditors from filing their claims in the liquidation proceed-

ing. The receiver may enforce such rights or remedies in any court of competent jurisdiction.

At the close of the receivership, it shall be the duty of the receiver to turn over to the Auditor all books of account and ledgers of such currency exchange for preservation. All records of such receiverships heretofore and hereafter received by the said Auditor shall be held by him for a period of two years after the close of the receivership and at the termination of said two year period may then be destroyed.

○ All expenses of the receivership, including reasonable receiver's, solicitor's and attorney's fees, approved by the Auditor, shall be paid out of the assets of the community currency exchange; and all expenses of any preliminary or other examinations into the condition of the community currency exchange or receivership, and all expenses incident to the possession and control of any property or records of the community currency exchange incurred by the Auditor shall be paid out of the assets of the community currency exchange. The foregoing expenses shall be paid prior to and ahead of all claims.

Upon the filing of a complaint by the Attorney General for the orderly liquidation and dissolution of a community currency exchange, as herein provided, all pending suits and actions upon unsecured claims against such currency exchange shall abate; provided, however, that nothing contained herein shall prevent such claimants from filing their claims in the liquidation proceeding. In the event a suit or an action is instituted or maintained by the receiver on any bond or policy of insurance issued pursuant to the requirements of this Act, the bonding or insurance company sued, shall not have the right to interpose or maintain any counterclaim based upon subrogation, or upon any express or implied agreement of, or right to, indemnity or exoneration, or upon any other express or implied agreement with,

or right against the currency exchange. Nothing herein contained shall prevent such bonding or insurance company from filing such claim in the liquidation proceeding.

Sec. 15.2 No community currency exchange shall determine its affairs and close up its business unless it shall first deposit with the Auditor an amount of money equal to the whole of its debts, liabilities and lawful demands against it, including the costs and expenses of this proceeding, and shall surrender to the Auditor its community currency exchange license, and shall file with the Auditor a statement of termination signed by the licensee of such community currency exchange, containing a pronouncement of intent to close up its business and liquidate its liabilities, and also containing a sworn list itemizing in full all such debts, liabilities and lawful demands against it. Corporate licensees shall attach to, and make a part of such statement of termination, a copy of a resolution providing for the determination and closing up of the licensee's affairs, certified by the secretary of such licensee and duly adopted at a shareholders' meeting by the holders of at least two-thirds of the outstanding shares entitled to vote at such meeting. Upon the filing with the Auditor of a statement of termination the Auditor shall cause notice thereof to be published once each week for three consecutive weeks in a public newspaper of general circulation published in the city or village where such community currency exchange is located, and if no newspaper shall be there published, then in a public newspaper of general circulation nearest to said city or village; and such publication shall give notice that the debts, liabilities and lawful demands against such community currency exchange will be redeemed by the Auditor on demand in writing made by the owner thereof, at any time within three years from the date of first publication. After the expiration of such three year period, the Auditor shall return to the person or persons designated in the



statement of termination to receive such repayment and in the proportion therein specified, any balance of money then remaining in his possession, if any there be, after first deducting therefrom all unpaid costs and expenses incurred in connection with this proceeding. The Auditor shall receive for his services, exclusive of ~~costs~~ and expenses, two per cent of any amount up to \$5,000.00, and one per cent of any amount in excess of \$5,000.00, deposited with him hereunder by any one community currency exchange. Nothing contained herein shall affect or impair the liability of any bonding or insurance company on any bond or insurance policy issued under this Act relating to such community currency exchange.

Sec. 16. Each licensee shall annually, on or before the fifteenth day of November, file a report with the Auditor for the fiscal year period from October 1st through September 30th (which shall be used only for the official purposes of the Auditor) giving such relevant information as the Auditor may reasonably require concerning, and for the purpose of examining, the business and operations during the preceding fiscal year period of each licensed currency exchange conducted by such licensee within the State. Such report shall be made under oath and shall be in the form prescribed by the Auditor and the Auditor may at any time and shall at least once in each year investigate the currency exchange business of any licensee and of every person, partnership, association and corporation who or which shall be engaged in the business of operating a currency exchange. For that purpose, the Auditor shall have free access to the offices and places of business and to such records of all such persons, firms, partnerships, associations and corporations and to the officers and directors thereof that shall relate to such currency exchange business. The Auditor may at any time, and shall at least once a year, inspect the locations served by an ambulatory currency

exchange, for the purpose of determining whether such currency exchange is complying with the provisions of this Act at each location served. The Auditor may require by subpoena the attendance of and examine under oath all persons whose testimony he may require relative to such business, and in such cases the Auditor, or any qualified representative of the Auditor whom the Auditor may designate, may administer oaths to all such persons called as witnesses, and the Auditor, or any such qualified representative of the Auditor, may conduct such examinations, and there shall be paid to the Auditor for each such examination a fee of \$20.00 for each day or part thereof for each qualified representative designated and required to conduct the examination; provided, however, that in the case of an ambulatory currency exchange, such fee shall not be increased by reason of the number of locations served by it.

Sec. 17. Every licensee shall keep and use in his business such books, accounts and records as will enable the Auditor to determine whether such licensee is complying with the provisions of this Act and with the rules, regulation, and directions made by the Auditor hereunder.

Sec. 18. The applicant for a community currency exchange license shall have a permanent address as evidenced by a lease of at least six months duration or other suitable evidence of permanency, and the license issued, pursuant to the application shall be valid only at that address or any new address approved by the Auditor.

Sec. 19. The Auditor may make and enforce such reasonable, relevant regulations, directions, orders, decisions and findings as may be necessary for the execution and enforcement of this Act and the purposes sought to be attained herein. All such regulations, directions, orders, decisions and findings shall be filed and entered by the Auditor in an indexed permanent book or record, with the effective date thereof suitably indicated, and such book or

record shall be a public document. All regulations and directions, which are of a general character, shall be printed and copies thereof mailed to all licensees within ten (10) days after filing as aforesaid. Copies of all findings, orders and decisions shall be mailed to the parties affected thereby by United States mail within five (5) days of such filing.

Sec. 19.1. Whenever an ambulatory currency exchange shall be actively engaged at any place or station on a location licensed under this Act in the cashing of checks other than from within an armored vehicle, such currency exchange shall provide at least one armed guard at each such place or station in addition to the person or persons cashing checks.

Sec. 19.2. Before any license or renewal of license shall be issued for any location served by an ambulatory currency exchange, the applicant thereof shall file with and have approved by the Auditor a surety bond for each such location, issued by a bonding or insurance company, licensed to do business in this State, in the penal sum of \$2,000.00. The bond shall be conditioned that the licensee serving the location shall comply with Section 19.1 of this Act and shall pay all lawful claims for money or other property loss, or bodily injury, suffered in the course and by reason of a holdup at such location, that shall occur at the time or times when said licensee failed to comply with said Section 19.1. Such bond shall run to the Auditor and shall inure to the benefit of any person or persons who shall establish a lawful claim or claims as aforesaid. The applicant shall have the right, at his, their, or its option, to file in lieu of the bond or bonds required by this section, a blanket surety bond, which he, they, or it shall have approved by the Auditor, issued by a bonding or insurance company, licensed to do business in this State, covering all the locations served and to be served by such applicant, in



a penal sum of not to exceed \$100,000.00, conditioned and payable as aforesaid, and specifying that the liability thereunder for each location shall be limited to \$2,000.00.

Sec. 20. Every person having taken an oath in any proceeding or matter wherein an oath is required by this Act, who shall swear wilfully, corruptly or falsely in a matter material to the issue or point in question, or shall suborn any other person to swear as aforesaid, shall be guilty of perjury or subornation of perjury, as the case may be.

Sec. 21. Except as otherwise provided for in this Act, whenever the Auditor is required to give notice to any applicant or licensee, such requirement shall be complied with if, within the time fixed herein, such notice shall be enclosed in an envelope plainly addressed to such applicant or licensee, as the case may be, at the address set forth in the application or license, as the case may be, United States postage fully prepaid, and deposited, registered, in the United States mail.

Sec. 22. Repealed by Act approved June 9, 1949, effective January 1, 1950.

Sec. 22.01. All final administrative decisions of the Auditor hereunder shall be subject to judicial review pursuant to the provisions of the "Administrative Review Act," approved May 8, 1945, and all amendments and modifications thereof, and the rules adopted pursuant thereto. The term "administrative decision" is defined as in Section 1 of the "Administrative Review Act."

Sec. 22.02. Appeals from all final orders and judgments entered by a court in review of any final administrative decision of the Auditor hereunder may be taken directly to the Supreme Court by either party to the action in accordance with the provisions of the "Civil Practice Act" relating to appeals, and all existing and future amendments and modifications thereof and the rules adopted pursuant thereto.

currency exchange is hereby declared to constitute unfair competition with licensed and legally operated currency exchanges doing business in the same community. Any licensee operating legally under this Act in the same community shall have the right to apply to any court of competent jurisdiction for and obtain an injunction restraining such unfair competition.

Sec. 30. If any part or provision of this Act shall be declared unconstitutional, the unconstitutionality of such part or provision shall not invalidate the constitutional provisions of this Act.